POLAND

Learning the price of aid

D 8523A

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Tuesday August 1 1989

World News

China offer raises hopes of progress in Chicago on Cambodia

China's foreign minister raised The Federal Bureau of hopes of progress in the Cam-bodian peace talks in Paris with a conciliatory speech that offered to guarantee Cambodia'a future atatus as an independent, neutral and nonaligned nation. Page 16

PM nominated General Czeslaw Kiszczak - the veteran Polish Interior Minister who for years repressed Solidarity, hot in recent months conducted a successful dialogue with the movement has been nominated as the

country's next Prime Minister.

Pettersson appeals Christer Pettersson, found guilty of murdering Swedish prime minister Olof Palme, appealed against his conviction

Rockets kill 24 A new wave of mujahideen rockets killed at least 24 people in Kabul taking the unofficial death toll in the past five weeks to 281. Earlier story;

and life sentence. Page 2

Hashimoto quits The race for the leadership of Japan's ruling Liberal Democratic Party became more uncertain after the withdrawal of the front-runner, Mr Ryu-taro Hashimoto, Page 4

Peace talks go on India and Sri Lanka agreed to prolong talks in Delhi in an effort to break the deadlock between the two governments over the timing of Indian troop withdrawals from Sri Lanka. Page 4

Argentine amnesty Argentine army rebels who. carried out three armed insurrections against President Raul Alfonsin's government no lon-ger face dismissal from the

Oil ria cansizes An oil rig capsized as it was being towed ashore to escape a storm in the Gulf of Mexico, and nine workers were thought to be trapped inside.

Voters back reform Chilean voters have overwhelmingly approved 54 reforms to the country's 1980 constitution. Page 3

US forest fires

Fires have destroyed 28,000 hectares of forest and brushland in four US western states and raged out of control in many areas.

Fernandez resigns General José Abrantes Fernandez, former Cuban Interior Minister, has resigned following the trial of several leading figures on drugs traffiking charges. Page 3

Burma bridge blown Ethnic Karen guerrillas blew up a hridge in the jungle of eastern Burms killing 13 people and wounding seven as they crossed in an open truck.

Fall kills miners Three miners died when a concrete-mixing cootainer fell down a shaft at the Winkelheak Mine gold mine, South

Sour note.... Thieves in Lucerne have stolen five golden flutes, insured for \$240,000 belonging to Northern Irish flautist James Galway.

Business Summary

US traders face charges fraud swoop

Investigation is set to swoop in Chicago this week, with a range of indictments against traders as part of the massive FBI probe into futures fraud. Defence lawyers are expecting charges against between 25 and 50 traders to be handed down on Wednesday, after a series of meetings between government prosecutors over the weekend. Page 16

ASSICURAZIONI Generali, Italy's largest insurance group, plans an extensive "collabora-tion agreement" with Axa-Midi, the French diversified insurance concern, including the formation of a joint venture insurance company to be the vehicle for acquisitions

in the sector. Page 17 BRITISH Telecom has agreed to pay \$355m to McDonnell Douglas, US acrospace company, for its data communica-tions and value-added services businesses, Page 17

SOCIETE FINANCIERE de Genève (Sofigen), second largest shareholder in De La Rue, British banknote and securities printer, is likely to vote to postpone a decision on the 2235m (\$376m) offer from Du Pont, US chemicals group, and Fuji Photo of Japan for De La Rue's subsidiary, Crosfield Electronics. Page 17

SIEMENS, West German electrical and electronics group, reported brisk progress on all fronts in the nine months ended June 1989, with a 12 per cent rise in net profits to DM1.08bn (\$570m). Page 18

TRADE: The Soviet Union became the target of a Euro-pean Commission investigation into alleged unfair under-pric-ing of a key chemical used as a disinfectant in agriculture and water treatment. Page 6 CHRYSTER, third largest US motor manufacturer.

announced a slight advance

in profits despite a fall in sales volumes and market share. Page 19 cals and pharmaceuticals company controlled by Mr Raul Gardini's Ferruzzi group, is planning offers worth \$1.06bn to acquire the minority share-holdings of two subsidiaries.

JOHN Elliott, chairman of Elders IXL, held out the prospect of a financial collabora-tion to assist Mr Alan Bond, his rival Australian brewing magnate, Page 19

year to DM162m (\$86m), helped

cating machines group, reported a 7% increase in second quarter profits. Page 19 DRESDNER Bank, West Germany's second largest bank,

NORWAY: Higher oil prices, increased oil production and the strength of the dollar have combined to bring a strong

SOVIET UNION and Italy are negotiating a plan to allow the Italians to import Soviet elec-

BONDS: The international bond market is growing at a significantly reduced rate, according to a recent report published by Salomon Brothers. US securities house.

Bush in emergency talks on Lebanon hostage crisis

By Peter Riddell in Washington and Andrew Gowers in London

PRESIDENT George Bush arranged urgent meetings with his national security advisers last night amid a worsening crisis over the fate of American and other Western hostages in

Lebanon.

He expressed ontrage over reports that Lieutenant Colonel William Higgins, a US hostage in Lebanon, had been hanged by a pro-franian Shia Moslem group.

The so-called Organisation of the Oppressed of the World announced the "execution" of Col Higgins, an officer with the

Col Higgins, an officer with the United Nations peacekeeping forces in sonthern Lebanon, yesterday afternoon It accompanied its statement

It accompanied its statement with a gruesome video purporting to show Col Higgins - feet bound and month gagged — dangling from a noose.

Last night a Lebanese Moslem group said it would kill another American captive, Mr Joseph Cicippio, unless Israel freed a fundamentalist cleric who was kidnapped by Israeli commandos last week.

The "Revolutionary Justice Organisation," believed like the other group to be part of

the other group to be part of the fundamentalist Hizbollah (Party of God) movement, said in a statement delivered to a Beirut newspaper that it would carry out the threat unless Sheikh Abdul Karim Obeid was released by 6pm local time

Both statements repeated Hizbollah's demand for the release of Sheikh Abdul Karim Obeid, the kidnapped Moslem cleric, and two relatives.

The earlier message appeared to imply that more of the 17 remaining Western hos-



tages in Lebanon might be killed by saying: "What will happen next will be even worse and America and Israel bear complete responsibility."

There was no immediate confirmation that the man depicted in the video was Col Higgins, or that he had been langed yesterday.

Israeli leaders suggested last night that the US officer, who was kidnapped on February 17.

1988 and had been the subject of repeated execution threats. might have been dead for some Just before Col Higgins's death was announced, Mr Yit-zhak Rabin, the Israeli Defence Minister, also offered a whole-

sale exchange of Lehanese Shias in Israeli jails for West-

ern and Israeli hostages in Leb-Upon hearing the news from Lebanon, Mr Bush immediately

cut short a two-day speaking tour to return to Washington to consult with advisers about a possible US response. He a possible US response. He expressed outrage at what he described as "uncalled for terrorism." A formal meeting of the National Security Council was hastily summoned.

The countdown to the announcement began in the early hours of Friday morning, when helicopter-borne Israeli commandos abducted Shelkh

commandos abducted Sheikh Obeid, a leader of Hizbollah, and two relatives from his home in the south Lebanese village of Jibsheet.

Israeli officials accused Sheikh Obeld of mastermind-ing attacks on Israel, and there was speculation that Israel would seek to use the kidnapping to obtain the release of these Israeli servicemen held

by Hizbollah. On Sunday night, the fundamentalist group responded hy threatening to execute Col Hig-gins by 3pm local time on Monday, unless Israel released Sheikh Obeid and his relatives. About two hours after the deadline came the statement announcing Col Higgins's death. It described the killing

death. It described the killing as "an opening gift."

The reported execution presents Mr Bush with his first foreign policy crisis involving hostages and the lives of Americans abroad of the kind which have in the past been crucial to the political standing of presidents.

It also raises delicate ques-tions about US relations with Israel, which was accused by Senator Robert Dole yesterday of endangering the lives of nine American hostages in Lebanon through its kidnap action, and ahout Western dealings with Iran.

Tehran is the main external sponsor of Hizbollah, and a hardline Iranian minister on Sunday encouraged the Lebanese group to take action against the US and Israel.

Mr Bush's initial reaction was characteristically cautious in seeking the advice of senior intelligence and foreign policy advisers rather than making dramatic statements.

He said the reported killing had "shocked the American people to the core" but warned against an instant response. "Discussing in some halfway manner what might or might not be done is not the way to conduct the foreign or national security policy of this coun-

try."
The Congressional response included a bipartisan mixture of calls for revenge and

Sevsral Republicans and Democrats said the US must strike hack and take any action, including military, to bring hostage-takers and terrorists to justice.

But Congressman Lee Hamil-ton, a highly respected senior Democrat, urged caution, argu-ing that America's options were "relatively few and ini-tially we should act with some

If his death is confirmed, Col Higgins will be the eighth for-eigner to have died in the spate of Lebanese kidnappings in recent years.

Rizbollah hornets nest, Page 4 Editorial Comment, Page 14

US prime rate cuts boost Wall St prices

By Anatole Kaletsky in New York

THE LEADING US banks cut their main lending rates yes-terday, signalling optimism aboot the course of US mone tary policy. The news helped Wall Street to all-time highs and hond yields to two-year

The prime rate cuts brought all leading US banks into line with Chase Manhattan, which reduced the symbolically important rate from 11 to 10% per cent in the middle of last month, in response to a previ-ous relaxation of Fed policy. The latest round of interest

rate reductions, which reflected a clear easing of mon-etary policy hy the Federal Reserve Board late last week, came despite a pronounced weakening of the dollar earlier in foreign exchange trading in

japan and Europe.
The dollar fell in Tokyo by as much as three yen, compared with its level on Friday. But the US currency stabilised in New York after the prime rate cuts, when the Fed signalled to money markets that it was not yet willing to see rates fall further.

The prime, which acts as a benchmark for many consumer and small business loans, is psychologically important because it tends to reflect the judgment of hank treasurers on the future direction of interest rates, as well as their cur-rent level. The Fed's move last week to reduce money market interest rates for the third time in less than two months was seen by most analysts as con-

US prime rate

firmation that central hank policy will continue to lear in the direction of further easing in response to lower rates, equity prices on Wall Street continued to move ahead to all-time records in terms of the broader stock iodices. At 1.30pm, the Standard & Poors 500 index was np 1.69 at 343.83, more than two per cents above its 1987 record. However, the Dow Jones Industrial index

remained almost 3 per cent short of its pre-crash high. in the bond market, prices continued to move sharply higher, building on last week's gains of more than two full points at the long end. By lunchtime, the Treasury's benchmark thirty-year Long Bond was trading some threequarters of a point higher with a yield of 7.92 per cent. Lex, Page 16; Markets, Section

Pentagon officer 'pressed for risky post'

LT COL William Higgins was assigned to hazardous duty in Lebanon as part of a United Nations observer group in spite of a previous job in the US Defence Department that would normally have ruled out such a risky posting, writes Lionel Barber in Washington.

was one of a mall number of Americans in the UN peacekeeping force in southern Lebanon. He arrived from the Pentagon in Washington, where he worked as one of 36 assistants to Mr Cas-Page 18 par Weinberger, then US Defence Secretary.

A US officer is normally appointed to the commanding

post, hat Col Higgins reportedy pressed to take charge of the 75 UN truce observers.

CHEMICALS: Net profits of Schering, West German phar-maceuticals and chemicals company, jumped by 21 per cent in the first half of this by improved performances in Japan and in the UK agrochemicals business. Page 18 XEROX, US copying and dupli-

many's second largest bank, increased group partial operat-ing profits by 22 per cent to DM878m (\$467m) for the first half of 1989. Page 18

improvement in Norway's external balances. Page 2

tricity in payment for refur-bishing Soviet power stations.

Page 20

Some reports said he was desperate to get out of the bureaucracy and take a highrisk command. Others Inter-

preted the move as a way to improve his career prospects.
His access to sensitive information in Washington would normally have ruled out a risky posting in Lebanon, par-ticularly with the marmed UN Observation Group, part of the United Nations Truce Supervi-sion Organisation set up in 1948 to monitor the border between Israel and its Arab neighbours.

He was the 10th American officer to command the Leba-non detachment of the UN Truce Supervision Force, an unarmed group of 295 men which contains 36 other Americans as well as Soviet citizens and other nationalities.

On February 17 last year, Col Higgins, who was in charge of 76 men, was driving need the port city of Tyre, in southern Lebanon, when his marked UN car was stopped by gunnen brandishing Kalashnikov automatic rifles. The three bearded gunmen forced him mto their car and he disap-

Five days later, an unshaven and expressionless Col Higgins appeared in a 70-second videotape issued by his captors, the Organisation of the Oppressed on Earth, a pro-Iranian group who branded Col Higgins a spy for the America's Central Intelligence Agency.



Buffett seeks to double holding in Coca-Cola

By James Buchan in New York

world's largest maker of soft drinks, rose sharply on Wall Street yesterday with the announcement that Mr Warren Buffett, the celehrsted inveswants to more than double his holding in the company. The announcement, part of a

statutory filing in Washington, sent Coke stock up nearly \$2 in heavy trading to a record \$65% yesterday morning. Mr Buffett is universally regarded on Wall Street as the nearest thing to a stock-picking genius.

in s filing with the Securities and Exchange Commission, Mr Buffett and Berkshire Hathaway, his investment company,

SHARES in Coca-Cola, the said they were seeking clearance under anti-trust law to increase their holding of Coke stock from a current 6.75 per cent to 15 per cent. A 15 per cent stake in the

Atlanta company would be worth nearly \$2.4bn at current prices. "Berkshire's purpose with respect to Coca-Cola common stock remains limited to investment purposes," the fil-

Mr Buffett, who is probably America's most successful post-war investor and certainly its wittiest, started off with just \$10,000 in the 1950s and enjoys a fortune estimated Continued on Page 16

Goldsmith bid for BAT faces long delay in California court

By Nick Bunker and Nikki Tait in London

THE HOSTILE takeover bid for BAT, the tobscoo-based multi-national, could be hogged down in the US federal courts because of a legal wrangle between Sir James Goldsmith's Hoylake group and insurance regulators in California.

regulators in California.
California insurance regulators yesterday said they will
least challenge by Sir oppose a legal challenge by Sir James, who heads a UK consor-tium offering £13bn (\$21.5bn) for BAT, to their authority over Farmers Gronp, BAT's Los Angeles-based subsidiary.

Recent precedents suggest a legal fight between a bidder and a state insurance commissioner could last more than 18 months, threatening to derail the timetable for Sir James' bid. Hoylake, the vehicle for the hostile bid, however, was stressing last night that it intends to pursue its action as

quickly as possible.
San Francisco-based officials of the California insurance department yesterday morning received the text of a law-suit filed against the department by Hoylake in a US district court important operating territory in Los Angeles on Friday. Their immediate reaction was that they had no option hnt to fight Hoylake's suit. which contended it was against the US constitution for state insurance officials to use their local laws to interfere with a big international corporate

California Insurance Department staff lawyer responsible for scrutinising takeover bids, said the department "had no choice" about its response. "We have to oppose, and if we lost in the trial court we'd have to appeal," she said. Close observers of the US regulatory process believe Cal-ifornia and the other eight state insurance departments

transaction, such as the bid for

Ms Lorraine Johnson, the

which were sued by Hoylake on Friday may also call for legal help from their nationorganisation, National Association of Insurance Commissioners. In Texas, the second most

for Farmers Group, the state board of insurance is still deciding on its response to Friday's suit, but Mr David Ely, a state hoard official, said it "seems likely" to oppose Hoy-lake's claim that its state insurance law was unconstitu-If the commissioners and

Hoylake do find themselves locked in legal combat, it will not be the first time a hidder for an insurance company has claimed that state officials have no right to police the transaction. In the largest racant case, involving an attempt by the New Yorkbased Alleghany conglomerate to buy up to 20 per cent of the St Paul Insurance Group, the hidder is still awaiting a court decision after about 18 months

In their latest letter, posted over the weekend, the Californian officials state that the submittals "do not respond to

the statutory requirements for information submittals".

Middle East: Kidnapping stirs up Hizboliah homets-nest -S African Financial sanctions are 'ideal as weapon against apartheid'

Europe: Iron curtain starts to lift between East

Technology: Atlantic record thrusts water jet into the limelight ... Arte: Henry Moore - monumental view of Switzerland .. Editorial Comments Crime and punishment;

Lex: Maxwell; LWT: BT/Tymnet . Stock Markets -London Unit Trusts

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close 13%% (1331)

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STOCK INDICES New York lunchti Dow Jones Ind. Av. 2,643.97 (+8.73) S&P Comp 343.98 (+1.83) FT-SE 100 2,297.0 (-9.0) 152.39 (Frl) Takvo Nikkei Ave 34,953.87 (+248.24) Frankfurt

Commerzbank 1,911,4 (-0.6) Brent 15-day (Argus) \$17.375 (+0.30) (August) West Tex Crude \$18.375 (+0.25) (September) New York latest

CONTENTS Baptism of fire for Britain's new Foreign Secretary

17,15



British foreign policy and the diplomatic and negotiating skills of Mr John Moore (left) will be severely tested in the coming months on the European front. Page 15

World Gulde

Lax _

Gold 24 International bonds 21-22 Intl. Capital Markets 21-22 Letters 15 World Index

The heart of Europe -

Community prices index

rises 3% in

CONSUMER PRICES in the European Community rose by an average 3 per cent during the first six months, compared with an increase of 2.9 per cent in the US and 2.3 per cent in Japan over the same period. The figures were released here yesterday along with the latest monthly inflation statistics, which showed that the EC's Consumer Price Index edged ahead by 0.3 per cent

edged ahead by 0.3 per cent between May and June, the second successive monthly rise of this magnitude. That represents a clear slow-

down compared with earlier in the year, but the fact is that inflation on a year-on-year basis remains relatively high at 5.4 per cent last month, com-pared with 3.4 per cent in June

Price increases were most

Price increases were most marked in June in Greece (1.6 per cent), Portugal (0.7 per cent), Spain (0.5 per cent) and Italy (0.5 per cent). They were more moderate in the UK (0.3 per cent), Luxembourg (0.3 per cent), Belgium (0.3 per cent), while the prices in Denmark (minus 0.3 per cent) and France (0.1 per cent), while the prices in Denmark (minus 0.3 per cent) and the Netherlands (minus 0.1 per cent) actually fell.

In spite of the moderate

In spite of the moderate increases in May and June, inflation rates throughout the

EC are higher in the first half

first half

By Tim Dickson in

OECD joins optimists on W German economic outlook

AT LEAST another two years of high growth are forecast for West Germany by the annual report on the country by the Organisation for Economic Co-operation and Development.

In company with most other economic analysts, its authors have ahandoned their pessimism of last year. They sug-gest that the recent dynamism of husiness investment "could be taken as an indication that the economy is moving on to a higher path of potential

output."
On the debit side they see no prospect of reducing the current account surplus, which may in fact rise. They also repeat their criticisms of rigidi-ties in the labour market and in service industries and point out that subsidies as a percentage of gross national product have risen from 3.7 per cent in 1982 to 4.8 per cent in 1988.

There seems to he little scope for macro-policies alone to contribute to the international adjustment process or to speed up the absorption of still high unemployment. It is therefore important that fur-ther efforts be made to reduce subsidisation and to remove micro-economic impediments to investment and employ-ment-creation," the report con-

health insurance and pensions are all welcomed, although it is feared that higher health charges may undo some of the beneficial hoost to domestic al with the swift ageing of

The prospect of a further reduction in corporate taxes is welcomed even though the report admits it is difficult to make international comparisons and considers that the complaints of West German employers about excessive tax

"may be exaggerated". Faster than expected growth in 1988 was driven by huoyant world trade, with exports np 5.5 per cent, hut macroecoANNUAL REPORT PROVIDES NEW PERSPECTIVE ON SOME VENERABLE BELIEFS

THE STATISTICS in the West German economy assembled by the OECD put into proper perspective three of the most popular beliefs about that economy: that West Germany's corporations are at the mercy of its banks; that rising labour costs are reducing industrial costs are reducing industrial competitiveness; and that companies are rapidly increasing direct investment ahroad, writes David Goodhart.

Banks: The report shows that

companies have become far less dependent on bank debt. "By 1987 the ratio of liquid assets to bank deht had reached the highest level recorded sine the mid-1960s and the gearing-ratio had

fallen steeply.
"The business self-financing ratio attained an all-time high (97 per cent)

in 1988." There are, of course, other sources of bank power, but when companies do not need to borrow it is less easy to push them around.

• Labour costs: Unit labour costs in

manufacturing industry actually fell by 0.1 per cent in 1988 and rose by only by 0.1 per cent in 1988 and rose by only 0.4 per cent in the economy as a whole. Overall labour productivity in 1988 rose 2.9 per cent and the "compensation of employees" rose 3.8 per cent. The share of wages in national income fell to 68 per cent, the lowest level since 1970. (Because the recipients of non-wage incomes tend to save more this is one reason for an increase in the savings

ratio to 12.6 per cent).

• Investment abroad: The outflow of capital in 1988 did treble to DM121bn (£39hn) thanks mainly to interest rate differentials. However, direct investment ahroad by companies was quite modest only DM18.3bn, of which the US took DM7.5bn and the EC DM6bn. That

represents only 5.5 per cent of the husiness sector's financial and real asset

The OECD also reveals that on average from 1985 to 1988 direct investment from 1985 to 1988 direct investment abroad as a percent of gross fixed capital formation was 4.5 per cent in West Germany, 4.1 per cent in the US, 2.8 per cent in Japan, 12.2 per cent in the Netherlands, and 18.7 per cent in the UK. The stock of West German business capital held abroad, valued at DM142bn in 1987, should be seen against the domestic stock valued at DM5,160bn.

contributed to faster expansion. But the growth of private consumption was relatively sluggish. Unemployment will fall to

Unemployment will fall to 7 per cent in 1996 but the spurt in productivity reduced total employment growth in 1968 to 0.6 per cent and jobs in the goods-producing sector have fallen 5 per cent aince 1982. Almost all new jobs came from new companies.

The OECD expects GNP growth of 2.75 per cent in 1990, just below the Government's estimate of 3 per cent. Many of the positive trends from 1988 and the first half of 1989 are set to continue, in particular high

to continue, in particular high business investment and house

building.

Inflation should drop back again next year and there will also be a net DM19bn (26.15bn) boost to consumer spending from the last stage of the tax

However, the expectation of a continued rise in profits may be a cause for concern indicat-ing "insufficient competitive pressure from imports and from market forces in non-

Oil and \$ buoy up Norway

By Karen Fossii in Oslo

HIGHER OIL prices, increased oil production and the strength of the dollar have combined to bring a strong improvement in Norway's external balances, confirmed by fresh data from the Central Bureau of Statistics yesterday. Excluding shipping, the cur-

rent account was NKr9.28bn in surplus for January-May against a NK6.68hn deficit for the equivalent period last year. Norway produced 43.2m tonnes of oil equivalent (toe) in the first five months of the year, against 36.4m in the corresponding months of last year. A Finance Ministry offi-cial has estimated that oil reve-nue was around NKr33bn in the first six months of this year, or NKr9bn up on the first half of 1988 – and on the pro-jections in this year's budget. The average price for North Sea oil in the first six months of this year was \$18 a barrel, against a forecast in the Norweglan budget of \$14.50. The dollar exchange rate has averaged NKr6.87 versus NKr6.25

projected in the budget.

Norway will this year increase oil production capacity by 35.5 per cent, or 19m tonnes, to 72.5m tonnes, according to figures released by the minority Labour Gov-

ernment in May.

Despite the good news on the external front, the country's tently high. The July rate was unchanged on June at 3.9 per cent, the biggest percentage since the 1930s.

Inflation erodes Yugoslavia's banknote supply By Alekaandar Lebl in Belgrade

GALLOPING inflation prices rose 313 per cent in the first half of the year — is leaving Yugoslavia short of bank-

The largest denomination now in circulation is the 100,000 dinars note, worth \$2.76, and falling, at the end of last week; that was issued only

two months ago.

The money-printing plant in
Belgrade has been working
non-stop in four shifts, but it still cannot supply enough notes. The problem is exacerbated hy the fact that the tourist season is at is peak, and farmers are selling their wheat. The National Bank was recently forced to allow foreign

tourists to pay In hard cur-rency for their accommodation in public-sector hotels. Visitors had been queuing to get piles of hanknotes at exchange

A few days ago, instead of giving a cash figure for the amount of money exchanged at the main horder crossing between Yugoslavia and Austria, the Yugoslav media reported that 14 cubic metres of dinars had changed hands.

Palme verdict appeal

Christer Pettersson, found guilty last week of murdering Sweden's Prime Minister, Mr Olof Palme, yesterday appealed against his conviction and life sentence, Reuter reports from sentence, Retter reports from Stockholm. Pettersson was sen-tenced by the Stockholm dis-trict court last Thursday, on a split verdict.

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Reforms of the tax system.

demand from lower taxes, and that further reform of the social security system will be needed in less than 20 years to the population.

nomic policies also played a part fiscal policy supported demand, entailing a rise in the budget deficit, and money-sup-ply was allowed to persistently

overshoot target ranges.
"With profits and the struc-ture of corporate halance sheets at their best position in years, business investment was the most huoyant component of domestic demand with its

Also the upswing has been more broadly based than in the past and acute sectoral pressure points have been less evi-

Returns on capital have strongly recovered from depressed levels in the 1970s as share of gross national product attaining the highest level for more than a decade." real labour costs bave advanced less than trend pro-

ductivity. And despite capacity utilisation reaching its highest level for 18 years there has been a deceleration of cost and price pressure.
The GNP deflator, the broad-

est measure of "home-made" inflation, rose in 1988 at 1.5 per cent its lowest rate for 20 years. "This seems to reflect increased output flexibility, with technical progress probably making production lines more easily adaptable to rapid changes in demand."

Increased private residential construction triggered by mild winters, arrival of ethnic Germans from the East bloc, and shorter depreciation periods,

US film makers step up attack on EC television proposals

THE US film industry launched a fresh attack yesterday against guidelines on local European Community content for television channels, laid down in draft EC rules for

cross-frontier broadcasting.
Mr Jack Valenti, chairman of the Motion Picture Association of America (MPAA), angrily accused the European Commis-sion, which produced the plan, of throwing a "grenade with the pin pulled out" at US film

makers.

He was speaking at a private meeting with Mr Jean Dondelinger, the Commissioner for audiovisnal policy and Mr Frans Andriessen, the External Affairs Commissioner.

The scheme would guarantee

television companies the right to broadcast freely anywhere in Europe so long as their channels included a majority "where practicable" of European programmes and observed minimum standards of quality and morality,
Washington fears the draft
broadcasting directive will be used as a quota to limit US film producers' freedom to

export to Europe and, as such, could be the latest evidence of possible EC protectionism.

Mr Valenti stressed that this was viewed as a serious threat, and called for greater co-operation between the US and European film industries to avoid trade tensions. The MPAA's members sold \$630m (C383m) members sold \$630m (£383m) worth of programmes in the EC last year, roughly two thirds of all their foreign sales. Earlier this year, Mrs Carla Hills, the US Trade Representa-tive, threatened to take action

against the Community if member states adopted the Commission proposal. Euro-pean Governments have until October 6 to decide whether they want to accept the scheme or let it die.

Both commissioners yester-day stressed that a close read-ing of the broadcasting direc-tive proved there would be no obligatory quotas and that there was no plan to create cul-tural protectionism.

of this year than in 1988 for all countries except Denmark, Greece and the Netherlands. The rates for the first six months of 1989 (June 1989 against December 1988) were:

the Netherlands 0.2 per cent; Belgium 2.0 per cent; France 2.1 per cent; Luxembourg 2.3 per cent; Ireland 2.4 per cent; West Germany 2.5 per cent; Denmark 2.8 per cent; Spain 2.8 per cent; Italy 3.4 per cent; UK 4.6 per cent; Portugal 6.6 per cent; Greece 5.6 per cent,

Bonn plays down army cuts call

By David Goodhart

THE West German Government yesterday described as "unbelight" the suggestion from Admiral Elmar Schmaehling, the head of the Bundes Wehr stall college, that the number of soldiers in the Bundes wehr could be reduced from the official current figure of 495,000 to 200,000 over the next 10 years.

A government spokesman said the idea was "futuristic" and would not help West Germany's negotiating position in the Vienna conventional disar-

mament talks.
Admiral Schmaehling also told a news magazine that the idea of a surprise attack from the East bloc was a relic of the

Cold War. Meanwhile, Mr Gerhard Stoltenberg, the new Defence Minister, has come down in favour of Bundeswehr participation in UN peacekeeping forces.

The issue still strongly divides the country's political establishment, with many influential voices arguing that it is too soon after the Second World War to join such a force, especially if it means operating in Israel. The cabinet is expec-ted to decide on participation at the end of August

Mr Stoltenberg also told a newspaper that progress had been made in negotiations to reduce low flying over West Germany and to stop all manoeuvres involving more than 40,000 troops.

He insisted that the Euro-

pean fighter aircraft project would not be abandoned but did admit that some other pro-grammes might have to be cut. But a trip to the north shows that it is shrugging off the old image giving visitors fewer occasions to stare out of a train

Hungarian changes

Iron curtain starts to lift between unions East and West

By John Lloyd TRADE UNIONS in the West

"Do we offer the Services you need?"

FYFE BUSINESS CENTRE LUXEMBOURG

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are revising their 30-year-old posture of ideological hostility to their counterparts in Com-munist countries - though they remain cautious, more cautious in many respects than Western governments.
At the core of their revision

process is a sharp debate over whether the official unions in the reformist Communist
states (Hungary, Poland, the
Soviet Union and Yugoslavia)
are capable of evolution into
genuinely independent unions.
Contacts between the West-

Fax. (+352) 455905

ern confederations, most of which are affiliated to the International Confederation of Free Trade Unions and the Communist federations, affiliated to the World Federation of Trade Unions, have tentatively

Most notably, an ICFTU delemost notany, an ICFTU delegation and a group from the Soviet All Union Central Congress of Trade Unions attended a conference on nuclear safety organised by the International Atomic Energy Agency in April - and broadly agreed on the need for and scope of safeguards.

In the past few months, both the Brussels-based ICFTU and the US federation, the AFL-CIO, have set up "perestroika committees" and produced internal position papers on the reform process

reform process.

Officials of both organisations say these could lead to shifts of policy, but they are sceptical that the Communist-

dominated unions will wholly lose their functions as "transmission helts" of party and government policies.

However, two features have impressed the Western unions. First, the willingness of the official Soviet miners' union to articulate some of the demands of the striking miners earlier this month was seen as a posi-tive, if ambiguous and contradictory, move in the right direction.

believe that the Hungarian federation, SZOT, now benefiting from recent labour legislation which permits a wide range of Industrial action including sec-ondary and sympathetic strikes, may evolve into unions independent from the state and the Communist party.

In particular, they are impressed by the SZOT leadership's frank admission that they have not been democratically elected and therefore can-

not properly represent their revived in the past two years as a pressure group on local official unions and has been in the Soviet Union and East-ern Europe at its blennial exec-

ern Europe at its blenmar exec-utive meeting in May and agreed to "keep under review" the possibility of future official meetings with the Communist Its conclusions were based on internal debates which have noted that:

noted that:

The Soviet unions have formally reversed their priorities in the election manifesto they prepared for the Supreme Soviet earlier this year, when 100 delegates from the unions were elected to a reserved block of seats. The AUCCTU is now committed to defending workers first and supporting workers first and supporting the party second.

• Independent unions in the

 The success and legalisation of Polish Solidarity has forced the official federation, the OPZZ, to attempt to act inde-pendently – and it is thought a continuation of the present reforms in Poland could Soviet Union are no longer rigorously suppressed. SMOT, or the Free Interprofessional deprive OPZZ members of privileged access to the party and the distribution of social Workers Association, has

benefits. • The new Hungarian independent white collar union, the TDDSZ, has established links with the official unions and appears to wish to work with omicial unions and has been permitted to continue. In at least one case, a new independent union in Leningrad, the KDP, has been reported in neutral terms in the official press.

The process of granting autonomy to Soviet enterprises slow as it is it likely to them, a move encouraged by elements of the Hungarian Communist leadership. The SZOT leaders have called for a autonomy to Soviet enter-prises, slow as it is, is likely to force a greater independence of workers' representation and a desire for collective bargain-ing. The AUCCTU and other federations in Eastern Europe are now actively studying Western industrial relations practice. congresa early in 1990 to attempt to democratise their structures.

 The activities of the WFTU, traditionally viewed by the Western unions as little better than an arm of Soviet foreign policy, are now seen to be under modification and at least superficially more conciliatory. The ICFTU thinks its rival's influence is weakening because it is increasingly seen in both developing and developed countries that the party-controlled model of trade union-ism has done little for workers'

The Hnngarian Communist

The Hingarian Communist Party could become the first such ruling party without a polithure and central committee if a proposal, made at last Friday's central committee session, is adopted at a party congress in October, AF reports. The polithure would be replaced by a much larger national party presidium and the central committee by a national party committee.

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LAST-MINUTE RUSH: Crowds fight their way into a Warsaw butcher's shop yesterday in an attempt to heat

Portugal takes express ride towards modernisation

Changes on the Oporto railway reflect a new prosperity on the Iberian peninsular, writes Diana Smith

OMENTS after the sleek new Alfa express glides ont of Oporto's Campanha railway station, it passes a mass of balf-assembled girders and concrete towering over the track. This is the Oporto-Lishon rail traveller's first glimpse of the approach to a new bridge that will span the Douro river. As the Alfa inches over the 100 year-old Douro bridge, designed by Eiffel, two colossal gold-white in the hazy sun.

struts which will support the new bridge loom alongside, The old hridge, sturdy hut past its prime, has a few more years' service before the new bridge is ready - just as the old Portugal, sedate but a little rusty, has a few years until it faces the competitive thrust of the creation of the European Community's single market in

The old Eiffel hridge carries luxurious intercity Alfa trains across the river, often followed by less-scruhhed, slow trains that clatter on ageing tracks. For travellers used to the friendly hut slightly scruffy and slow Lishon-Oporto Foguete (rocket), the air-conditioned Alfa is a revelation. erasing memories of sultry summer days when the air

blew in through open windows coated with dust.
The Alfa aims to wean Lis-

big food price rises which the Government is expected to introduce today.

bon-Oporto business travellers away from the airlines back to the railways with comfortable reclining seats, three-course meals or soft drinks and

The Alfa, ruuning seven times a day, competes with 40minute Lisbon-Oporto flights which often entail long airport delays because of the fog which frequently descends on

Oporto.
If travellers look at the passing countryside from one of the Alfa's windows, they are likely to notice not just the modernisation in rolling stock but a wider change taking place in Portugese farms, factories and housing.

Part of Portugal's new look is because of EC funds - grants or European investment Bank long-term loans
- which have financed modernisation of the country's

These funds are helping to pay for better navigation on the Douro, enabling travel by boat and the movement of goods by river through a series of locks from Oporto to the Spanish horder. The money has hrought

about improvements in the motorway network east and north-east from Oporto and Aveiro, and it has boosted investment on roads, bringing the outside world to isolated hamlets and improving the infrastructure with dams, drains, sewers and farm irriga-

Portugal received more than Ecu 600m (\$636m) in grants and Ecu 400m in loans last year. It shows. Flying over the Alfa track or

unwinding alongside it, newlypaved roads carry thousands of new cars often driven by people enjoying better-paid jobs.

Much of this new wealth is
derived from a new export
drive in the north of the country, and by the purchase of old companies by Portuguese com-panies by EC investors (especially Spaniards) lured by relatively low wage costs, incentives to industry and a growing domestic market.

With only 10m people, Portugal's internal market will always be small but it is becoming more processes.

becoming more prosperous.

The Alfa slips past fields that once had only a few scrawny cornstalks and are now covered by healthy corn, side by side with lush, well-irri-



In the booming agricultural and industrial zone between

Oporto and Aveiro, a new pros-

perity is visible in new houses

C Miles 25 SPAIN

Part of the EC's Ecu 700m 10-year aid programme for Portuguese farming is for replace-ment of expensive imported animal feed by bomegrown produce, with the area around Aveiro showing first results where better-bred dairy cattle grazing are producing more milk for a demanding public.

and flats.
Roofs boast new TV antennae; some have satellite-dishes costing 300,000 escudos (\$1,900). Tractors that look as if they had just rolled off the assembly line dot larger northern fields. The north always prided itself on a superior sense of enterprise to that of Lisbon. The view from the train suggests the region has availed itself of EC support funds and business opportunities. Oporto is not quite beautiful, but it is solid: slate-grey and tidy, with well-kept parks and clusters of new office buildings

and hotels away from the noisy old centre. Oporto's old shopping streets now bave a sophisticated, northern European aura. More care is taken with window dressing and cleanliness; the goods themselves are increasingly-international.

> neighhourhood eating places - or smart restaurants. may now be guttural Galizan or Catalan-accented Castillian as Portuguese and Spanish businessmen thrash out deals. Snatches of French, German and English can be heard in downtown banking areas from foreigners who have arrived on direct flights to Oporto from

Madrid, Barcelona, Paris and London. There is a whiff of profes-sionalism in Portugal which is not confined just to busine

dealings in hustling Oporto, Aveiro and Braga, but in treatment that was once amiable hut sometimes scatty: hotel telephones and room service have improved beyond recogni-tion; secretaries or bosses repidly agree to appointments instead of promising to ring back in a fortnight.

An appointment for 9.30am

Lisbon messes around," say proud Oporto businessmen. The people of the north have put on an extra burst of energy to produce a boost efficiency in the area just as Portuguese Railways rallied an extra burst of imagination and design to produce an Alfa train able to hold its own with any top EC

express.

Portugal has lagged so far behind the EC for so many decades that its race to catch up is all the more difficult and

window and muse: "So pretty

but so impoverished."

THE UNIVERSITY OF SEPTION

Argentina taking

soft line on rebels

Former minister held as Cuban shake-up continues

By Tim Coone in Managua

THE shake-up in the Cuban political and military hierarchy following the trial of several leading figures on drug trafficking charges has claimed another top name.

General José Abrantes Fernandez, was forced to resign as Interior Minister on June 29 and according to Radio Havana, has now bean detained along with three other senior Interior Ministry (Minint) officials "on evidence of transgressions and viola-tions of the law" which have come to light in the wake of the scandal for which four senior officers from the army and ministry were executed

The other arrested officers are Gen Roberto Gonzalez, the former head of immigration; Oscar Tajoni, the former head of customs; and Lt Col Rolando Castaneda, whose post was not

Another man who was arrested, Mr Oscar Parvenir, headed an organisation "very closely linked to the Interior Ministry", which was authorised to deal in foreign exchange. The Cuban Central Bank is normally the only organisation allowed to handle foreign exchange in Cuba, apart from Cubanacan, the body charged with developing Cuba's tourist potential.

In addition five other generals from the ministry have been demoted to colonel and forcibly retired.

As a result of the purge over the past month the Interior Ministry has lost almost all its senior officers and officials, raising speculation that there is more than just the drugs scandal behind the shake-up. During the summing-up of evidence in the court martial of Gen Arnaldo Ochoa and the three other officers who were

executed, President Fidel Cas-tro noted that the ministry had made arms purchases. This had to stop, he said, "because one of the serious problems which was taking place in the Interior Ministry was the attempt to put it on a par with the armed forces: but it has other tasks, other missions and other functions."

President Castro said the executed Minint officials and Gen Ochoa "were creating a system of relations, of friend-ships; they were corrupting and, in my opinion, neutralis-ing people with presents rang-ing from colour TVs to yachts. In effect, the purge and restructuring of the ministry will mean that its police and state security apparatus will now pass to the armed forces, which are under the control of General Raul Castro, President Castro's brother and handnicked successor.

Heavy Chilean vote for reform

By Barbara Durr in Santiago

CHILEAN voters have overwhelmingly approved 54 reforms to the country's 1980 constitution. With nearly 95 per cent of the votes counted from a national plebiscite on Sunday, 85.7 per cent voted in favour, and only 8.2 per cent

The reforms were widely expected to be adopted. They had been agreed by the mili-tary regime, the 17-party oppo-sition coalition and the most important right-wing party.
Only the Communist Party, a small faction of socialists and a

minor regional party had urged rejection of the reforms. The changes in the constitu-tion include increasing the number of directly elected nembers of the Senate, thus making it a more genuinely democratic body; curbing the powers of the National Secu-rity Council; abolishing Article 8, which outlawed all Marxist

PRESIDENT George Bush yesterday invited the 50 state

governors of the US to an edn-

cation summit, only the third such meeting ever held, to dis-cuss ways of improving Amer-

His invitation was issued at

the National Governors' con-

ference in Chicago. This was

intended to be the start of a

two-day trip which he cut sbort immediately after his

speech to return to Washing-

ton following reports of the execution of Lt Col William

Mr Bush said the governors'

Higgins in Lebanon.



General Pinochet votes in the piebiscite

groups; shortening the next presidential period to four years from eight; and easing the process for future amendments of the charter.

The last item was considered

by opposition leaders the most important, given that the cur-rent slate of amendments fell short of what they had wanted.
Mr Patricio Aylwin, the opposition's presidential candidate, called tha plebiscite "an important step forward" for the return to full democracy in Chile. The country's military leader, Gen Augusto Pinochet, in a brief televised address on Sunday night, said the plebi-scite results ratified once again

gave before he was elected to be the "education president"

and to push the reform pack-

age he outlined four months ago to improve standards in

schools. This plan has been much criticised both by teach-ers and in Congress for con-taining insufficient money to

The federal government has few powers and little money in

education, as most of the

resources are at state and local

level. Washington's main role is to assist and encourage.

summits were in 1908 on the environment and conservation

and in 1932 on the economy at

The two previous governors'

implement his aspirations.

the constitution designed by the military in 1980. Gen Pinochet, who reluc-tantly agreed to the reforms, believes the 1980 charter is his regime's greatest legacy. It was only under the combined pres-sure from soft-liners within his government, the key right-wing party National Renova-tion and the opposition coali-

tion that the general finally acceded to reform. With the three main political forces - the military, the right and the opposition - in accord on at least part of its constitutional basis, the incoming democratic government is expected to enjoy greater stability.

Greenspan still hoping for 'soft landing'

By Anthony Harris in

THE FEDERAL Reserve chairman, Mr Alan Greenspan, told a meeting of state gover-nors on Sunday that he still expects a soft landing - a period of slow growth - rather than a recession in the US economy.

There are growing reports of tension between the Fed and the administration over the slow pace of monetary easing

at present.
Mr Greenspan's remarks
concentrated on real rather than monetary factors in the outlook. He said flat retail sales were due to higher personal saving, along with slow growth of real incomes; this could lead to a recession rather than a slowdown if businesses misjudged their prospects and found themselves with exces-sive inventories or overambitious investment plans.

taken. Mr Luder said there might be some "retirements" from the army but those would

By Gary Mead in Buenos Aires

ARGENTINE army rebels who carried out three armed insurrections against the civilian government of President Raul Alfonsin will no longer face dismissal from the army, according to Mr Italo Luder, the Defence Minister. Mr Luder said yesterday that

"in a few days" President Carlos Menem (as commander in chief of the armed forces) would "cancel" all outstanding cases referring to the rebellions, now before military tribunals. The threat of expulsion from the army has thus been lifted from 432 rebels, ranging from the rank of colonel down.

Mr Luder explained that following the presidential ruling, army chief of staff General Isidro Caceres would be responsible for disciplinary action against the rebels, "without that meaning that those officers who participated [in the rebellions] having to lose their careers.

He said Gen Caceres would consider "case by case" what disciplinary action would be be at the request of officers themselves.

Contingents of Argentine commandos, with support from other units, have staged three rebellions since Easter 1987. They barricaded themselves inside regimental headquarters in protest against trials conducted by the Alfonsin government against officers accused of human rights abuses during the so-called "dirty war" of the 1970s, when more than 9,000

civilians disappeared. Some 25 senior military officers, including former juntaappointed president Gen Jorge Videla (serving life imprisonment on human rights charges), are either imprisoned or awaiting trial for their part in the dirty war.

They are likely to benefit from a separate presidential amnesty which it is widely expected that President Menem is preparing to announce this month.

Menem move to attract foreign currency

By Gary Mead

from today to open accounts in US currency in local banks. Both Argentine and locally-based branches of foreign institutions will be allowed to operate in the new market. The government is also

promising to introduce a law preventing future administra-tions from nationalising or freezing foreign currency accounts held in Argentina, a move seen as a necessary guar-antee if people are to feel sufficiently confident to use the new accounts.

The new regulations are part of a drive by President Carlos Menem's government to attract foreign currency into the country, suffering from serious industrial recession and nega-

tive growth rates.

An estimated \$40bn is held by Argentines in overseas bank accounts and investments, capital which has flown from the country during its lengthy post-1945 instability. A further \$5bn is believed to be

ARGENTINES will be able in circulation in Argentina, neither earning interest nor invested in production, but used by Argentines as an easily convertible insurance against hard times and inflation now running at 200 per cent a month.

The account offers an attractive interest rate, set in relation to the London Interbank Offered Rate, This is likely to tempt depositors away from the only other foreign-currency interest-bearing deposits with easy access to Bnenos Aires, in Montevideo in neighbouring Uruguay, where interest rates are just below 10 per cent. The minimum amount fixed for the new Argentine accounts which are also open to foreign

depositors - is \$1,000. Mr Javier Gonzalez Fraga president of the central bank said yesterday a new bill would soon be presented to Congress, protecting foreign currency depositors from any move by the state to use the funds placed in the new accounts.

US drug use falls – except cocaine

has dropped significantly in the US since 1985, but the number of heavy cocaine users

has risen sharply, AP reports from Washington.

The 1988 National House-hold Survey on Drng Abuse found a decrease of 37 per cent in the number of people who said they had used illicit drugs in the previous month. However, the survey found a 33 per cent increase in the number of people using

cocaine once a week or more, and a 19 per cent increase in the number of people using the drug daily or almost daily. "Most use of most drugs by most Americans - overall drug use — is off sharply. But cocaine addiction has dramat-ically intensified," said Mr

William J Bennett, director of federal drug control policy.
"Drug crime is up, drug trafficking is up, drug deaths are up, drug emergencies in our hospitals are up - all since explained in one word: crack. Crack is a potent, smokable form of cocaine.

According to the survey, the number of people who used marijuana, cocaine or any other illicit drug within the month before being surveyed dropped from 23m in 1985 to 14.5m in 1988.

Those who used an illicit drug within the previous year fell from 37m to 28m – a decline of almost 25 per cent.

PRD in Michoacan poll protest

By Richard Johns in Mexico City

MEXICO'S Party of the Democratic Revolution (PRD) is to boycott the meeting of Michoacan's electoral commission scheduled for August 15, in protest at the controversial official outcome of the poll for the state legislature held on

The session will be held to decide the distribution of six of the parliament's 24 seats to be decided by proportional repre-sentation. At a big rally in the state capital of Morelia, Mr Cuauhtémoc Cárdenas, PRD

1 377

leader, said that to participate in the proceedings "would mean legitimising frand and admitting the only way for-ward for the opposition is com-

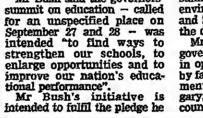
the 18 seats in the direct vote but according to official results announced by the electoral commission, which is dominated by the ruling Institutional Revolutionary Party (PRI), it was only awarded six. Mr Cardenas described the

The PRD claims it won 14 of producers of tortillas, the most basic staple food of the country, raised prices at the week-end from 275 pesos (7p) to 400 pesos a kilo.

cost of maize dough. issue as "a decisive struggle"

in deciding that recognition of voting at the polling booths should bring about an end to an anti-democratic system. • In a clear breach of the price freeze embraced by Mexico's Pact for Economic Stability and Growth (PECE).

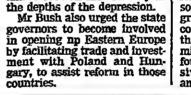
They claim they face bank-ruptcy because of the higher

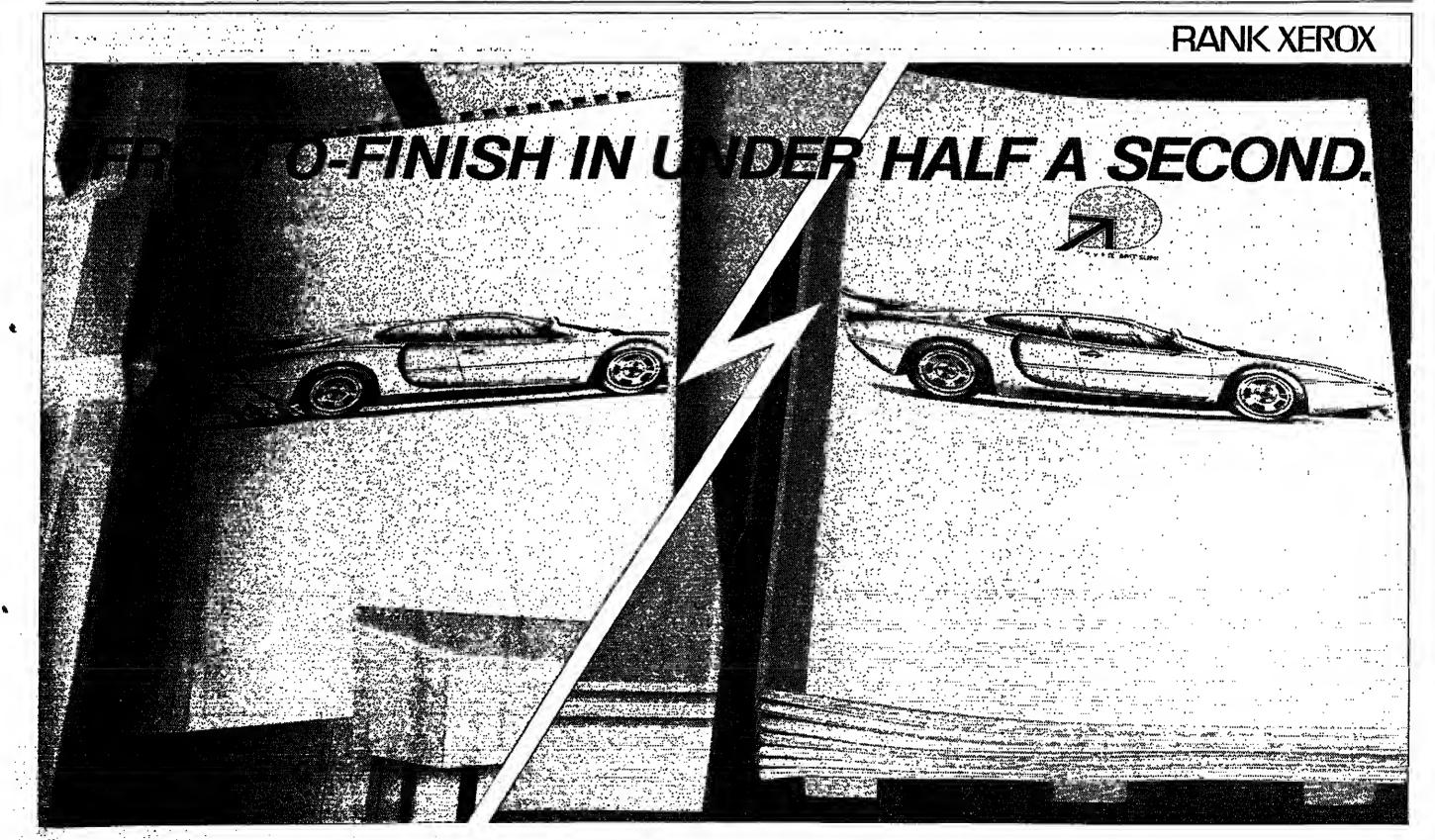


Bush calls governors to

education summit

By Peter Riddell, US Editor, in Washington





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the 16 western hostages in Leb-anon were probably under Ira-nian control and that the Irani-ans might exchange nine

Americans for the \$2bn which the Shah had paid to the US for arms before the revolution.

The Bizbollah now appear to be waiting to find out who will hold real power in post-Kho-meini fran before making their

next move. Already there are rumours in Beirut that the

movement is heginning to hreak up along parallel lines to

the power struggla in Iran. The raid last week hy the Israelis can only radicalise the more

restive members and endanger

Six western hostages are

six western notages are believed to have died in captiv-ity in Lebanon already. Michel Seurat, a French researcher, died of cancer. William Buck-ley, the Central Intelligence

Agency station chief in Beirut,

died from the effects of torture. Two British academics, Philip

Padfield and Leigh Donglas,

and an American librarian, Peter Kilburn, were sold by

their original kidnappers to

agents who are believed to have been working for Libya.

The three men were murdered

in revenge for the American bombing of Libya in April of 1986 and because the bombers had been allowed to take off from British bases.

The death of a third Briton,

Alec Collett, a freelance writer

working for the United Nations, was also announced after the Libyan bombing. UN

officials who have worked with Mr Collett said they believed

he might have died earlier and

that his kidnappers used the Libyan bombing as a pretext to gain political mileage from his

Since Col Higgins was taken in Fehruary 1988, there have been rumours that he too died

in captivity although there is no evidence to support this.

Israeli raid precipitates an escalation of hostage crisis, writes Lara Marlowe For the past year, sources in Beirut have said that most of

Y kidnapping a Shia called only on Mr Mohtashemi.
Now Mr Ali Akbar Velayati, the Iranian Foreign Minister, and Mr Rafsanjani receive all southern Lebanon last week, the Israelis precipitated a dangerous escalation of the hos-tage crisis with implications for Iran and Lebanon as well as Israel and the US.

as Israel and the US.

The "Organisation of the Oppressed of the Earth", believed to he one of several front names for the pro-Iranian fundamentalist Hizbollah movement, lost little time in first threatening to hang US Marine Lieutenant Colonel William Higgins and then announcing it had done so.

The Lebanese Hizbollah (Party of God) is an extension

(Party of God) is an extension of a movement founded in Iran after the 1979 revolution, but it now has reason to fear a decline of its support in Iran with the rise to power of the pragmatic new President, Hojatoleslam Ali Akhar Hashemi

Shia Moslem sources in Labanon say that until recently Hojatoleslam Ali Akbar Mon-tashemi, the hardline Iranian Interior Minister, controlled the hundreds of Iranian Revo-lutionary Guards in Lebanon and had a strong influence over their Lehanese Hizbollah

Mr Mohtashemi is believed by Lebanese Shias to have been the driving force behind the kidnapping of westerners in Lebanon. And it was Mr Mohtashemi who, in a news conference on Sunday, promised revenge for the Israeli kid-napping of Sbeikh Obeld.

But Mr Mohtashemi's power in Lehanon appears to have waned in proportion to the ascent of Mr Rafsanjani, who as commander-in-chiaf of the Iranian armed forces had the prescience to dispatch contin gents of revolutionary guards loyal to him - not to Mohtashemi - to Lebanon earlier this

Until last year, Lehanese Shias who travelled to Iran

important Lehanese visitors, including the principal Hizbol-lah leaders. Mr Velayati, in sharp contrast to Mr Mohtashem's talk of revenge, said Iran had nothing to do with the threat to kill Col Higgins; yesterday he condemned both the Israeli kidnapping and the retailstory death threats.

retaliatory death threats.

Mr Rafsanjani's recent indications that he does not want to export the Iranian revolu-tion have been a blow to the Hizbollah in Beirut, whose rai-son d'ëtre has all along been tha creation of an Islamic republic in Lebanon

According to diplomats and Shia Moslem sources in Syria and Lebanon, Mr Rafsanjani

The following is a list, with captors where known:

Revolutionary Guards official

Ahmad Mostavaselian and

photographer Kazemkhavan.

1982

would like to curtail Iran's military and hostage-taking involvement in Lebanon and devote the human and finan-cial resources now deployed there to rebuilding the Iranian economy. In this event, Iran's relationship with Lebanese Shias would become primarily a commercial and political one.

The new friendship between Iran and Hizbollah's enemies in the pro-Syrian Moslem Amal movement bears this out. Amal is considered a legitimate political party in Lebanon, as well as being a militia. Mr Nabih Berri, its leader, is Minister of Justice in one of Lebanon's

two governments. Hizhollah were already weakened hy its defeat at the hands of Amal in the spring of 1988. Amal almost eradicated Hizbollah from tha villages east of Tyre, where Sheikh Obeid has his home and where Iran had its traditional strong-hold in southern Lebanon. It was here. In the early 1970s, that opponents of the Shah such as Agratulah Rahashii Mr such as Ayatollah Beheshti, Mr Aholhassan Bani-Sadr, Mr Sadeq Qotbzadeh and Imam Musa Sadr studied and taught

Musa Sadr studied and taught.

Before Sheikh Obeid's abduction by the Israelis, there had been limited optimism that the suffering of the hostages might soon end. When the "Islamic Jihad for the Liberation of Palestine" released Mr Mithileshwar Singh, an Indian professor, last October, the group said it was "to prove our goodwill and seriousness". Mr Ibrahim al-Amin, a Hizhollah spokesman, recently said that the kidnaprecently said that the kidnap-ping of foreigners had been "a very hig mistake".

TWENTY-ONE FOREIGNERS MISSING

May: Florence Raad, 35, Leb-THE DEATH of US hustage Lientenant-Colonel William anese-French journalist.
June 9: Thomas Sutherland,
American, 58, American University of Beirut dean of agriculture. (Islamic Jihad). Higgins leaves 21 foreigners missing and believed held hostage in Lebanon, Reuter reports from Beirut. The hostages include nine Americans, four Britons – one June 29: Faik Wareh, 65.

Businessman of Syrian origin with American nationality with dual Irish citizenship, reported missing. Sept 11: Alberto Molinari, Italian, 65, businessman. three Iranians, two West Ger-mans, an Egyptian, an Italian

1986

April 11: Brian Keenan, 36, AUB teacher with dual Irish and British nationality. July 4: Three Iranians go miss-April 17: John McCarthy, 31, ing at a Christian Lehanese Forces militia checkpoint British, journalist for World-wide Television News. (Revolunorth of of Beirut; Charge tionary Commando Cells). d'Affaires Hossein Musavi,

Sept 9: Frank Herbert Reed, 57, American, Director of Leb-anese International School. Sept 12: Joseph James Cicippio. 59, American, deputy comptroller of AUB. (Revolu-tionary Justice Organisation). Oct 21: Edward Austin Tracy, 57, American hook

Jan 20: Terry Waite, 50, British, envoy of the Archbishop of Canterhury, disappears while on a mission to free Western hostages.

Jan 24: Americans Robert Polhill, 54, Jesse Turner, 40, and Alann Steen, 50, academics at Beirut University College. (Islamic Jihad for the Liberation of Palestine).

March 17: Mohammed Mah-

mond el-Jiar, Egyptian Moslem cleric, seized in sonth Leb-

May 12: Jack Mann, 75, British, retired airline pilot and nightclub manager, disappears in west Beirut (Armed Strug-

May 16: Heinrich Struehlg. 48, and Thomas Kempner, Asme Humanitas Relief.

Kidnapping stirs up Hizbollah hornets nest Lebanon casts its deadly spell over unhappy Israelis

Hugh Carnegy reports on the view from Jerusalem

"THINGS are much simpler than people are trying to make them out to be," said a senior foreign ministry official in Jerusalem last night when asked why Israel had precipitated the latest round in the

deadly tussle over foreign hos-tages in Lebanon.

According to him, Israeli commandos had been sent in the dead of last Thursday night to kidnap top Shia Moslem leader Sheikh Abdul Karim Obsid and two collectures from Obeid and two colleagues from their base in southern Lebanon

for two reasons.

First, because they were seen as ideal counter-hostages in the struggle to obtain the release of two Israeli soldiers and an airman believed held by the Hizbollah (Party of God) group the Sheikh was deeply involved with in Lebanon. The evaluation was that if this man was captured the

chances that (his organisation) would respond were good.*

The second reason, the official said, was the Sheikh had been involved in "massive terror operations" by Hizbollah against Israel and its allies occupying a so-called security zona in Lehanon along the

Israeli border.
But what these arguments do not explain is the extent to which the Israeli authorities anticipated that the abduction of Sheikh Obeid would trigger a re-opening of the hroader issue of foreign hostages in Lebanon - and in particular the consequent inevitable involvement of the US.

Israel knew perfectly well that Sheikh Obeid had heen involved in the kidnap in early 1988 of Col William Higgins, a US marine attached to the UN forces in Lebanon, through the so-called Organisation of the Oppressed of the World. It therefore must have calculated. that he might be used by the Sheikh's supporters to respond to the Israeli action - as they



did by threatening to kill him. did by threatening to kill him.

Before the news broke that
Col Higgins was dead, the
Israeli authorities had been
pushing the line that the
threat to kill him was hluff.

Less than half an hour after
the spin deadline for his threat ened execution - with still no news of it - Mr Yitzhak Rabin, the Israeli defence minister, offered to swap the Sheikh and his two colleagues and all the dozens of Lebanese Shias held by Israel for its three soldiers and all the 20 or so foreign hostages still held in Lebanon, including Col Higgins. The outhorities were appparently seeking to show it was serious not just about its own hos-tages, but about all Western

Then the news came that Col Higgins was dead. Officials began to suggest he had been dead for some time, and this had been known by the US and Israel and therefore the under-lying scenario had not

Changed.

But Israel may yet have miscalculated the Western response to its actions. Over the weekend, one minister said he was sure most Americans. would have been proud had their government taken such a step to try to win the release of US hostages. But it is an attitude that seems to ignore the difference between military force used in a direct rescue mission and the use of retaliatory kidnaps. It may also underestimate the extent to which Sheikh Obeid's potency in his own community has been enhanced by his capture by the ultimate Hizbollah foe -

the Zionist enemy.

The foreign ministry official admitted: "We don't know how things will develop from here."

JORDAN'S Central Bank floated the dinar resterday, in an apparent bld to beat the

hlack market and encourage expetriate workers to send

their dollar earnings home,

Jordanian

currency

floated

March 16: Terry Anderson, American, 41. Middle East Burean Chief of the Associated Press. (Islamic Jihad). Front-runner pulls out of race to be Japan's PM

By lan Rodger in Tokyo

THE RACE for leadership of Japan's ruling Liheral Demo-cratic Party hecame more uncertain yesterday after with-drawal of the favourite candidate, Mr Ryutaro Hashimoto. Mr Hashimoto, 52, the parcharlsmatic sec-

retary-general, gave in to pressures in his own faction and said he would not be a candidate, despite polls suggesting he was the party's most popular figure, both among party members and the public. Speculation in political cir-

cles on other possible candidates almost immediately shifted to Mr Toshiki Kaifu, a former Education Minister and member of the smallest LDP faction, led by Mr Toshio Komoto Mr Kaifu, 58, is said to be the kind of clean figure the LDP needs. He was a close associate of a former Prime Minister, Mr Takeo Miki, who led investigations into the Lockheed scandal in 1976.

The LDP, which suffered a crushing defeat in elections for the upper house of the Diet 10 leader who would belp repair its corrupt image among voters. Mr Sosuke Uno, the current Prime Minister, announced bis intention to

resign following the elections. Political analysts said yesterday's surprising developments suggested that leaders of the LDP's two largest factions were trying to select a mutu-ally acceptable candidate over whom they would have considerable control.

However, it was by no means clear they would have their way. Voting for the new party leader. who will also be Japan's next Prime Minister, will be by secret ballot of LDP



Hashimoto: factional fears

members of the Diet next Tuesday, and many Dietmen have been making clear their displeasure with the machina-tions of the big faction leaders. Mr Hashimoto is a member

of the faction led by Mr Noboru Taskeshita, the former Prime Minister. At the weekend leaders of this faction, largest in the LDP, decided none of its members should run for the leadership. Mr Shin Kanemaru, faction

chairman, said yesterday that the public would not accept that the faction which made the running for Mr Uno to become Prime Minister should put forward another candidate.

Political analysts said the real reason for restraint was that faction leaders and some other leadership aspirants in it feared that if Mr Hashimoto, a tough, singleminded man, got into power on the strength of

his own popularity, they would not get him out for some time. Mr Kanemaru also said that the faction should not lend its support to any other candidate. But analysts noted that the Mr Shintaro Abe, the former Foreign Minister, has also decided not to field a candidate. The Takeshita and Abe factions have co-operated closely in the past two years.

The possible candidate, Mr
Kaifu – like the unfortunate

Mr Uno - lacks a personal power base and might be in a difficult position if his elevation were transparently made possible by the two largest fac-tions together with his own.

In any event, his own leader, Mr Komoto, 78, has been making noises to the effect that he would like to run, although his chances seem slim because of his age and his involvement in the collapse of a large shipping husiness four years ago. Mr

intention of running and was intent on backing his boss. Candidates for tha leadership must declare themselves on Saturday morning. Confir-mation of the Prime Minister, usually a ruhber-stamp event, is likely to be more noisy this

Kaifu said yesterday he had no

In the upper house, where opposition parties have a majority, Miss Takako Doi, leader of the Japan Socialist Party, is likely to be nominated and chosen for Prime Minister. However, the LDP, which still has a large majority in the lower house, will ensure vic-tory for its man. Under the Japanese constitution, the person named by the lower house becomes Prime Minister if the

Peking lauds army for crushing protests

By Peter Ellingsen in Peking

CHINESE leaders at an Army personality cult. Day function yesterday con-gratulated the military for the Day function yesterday congratulated the military for the crushing of the recent pro-democracy demonstrations and said that their actions had the support of "many countries," while Western ambassadors in Peking boycotted the celebrations in protest at the army's brutality.

Army lay was used by the party as an opportunity to defend and praise the PLA's role in hring the pro-democracy protests to a bloody end, and Qin Jiwei, the Defence Minister, told a gathering in the Great Hall of the People that "led by Deng Xiaoping, brutality." hrutality.

response to the embarrassing defection by a Chinese army officer, which has come at a time when the Communist Party is attempting to bolster the image of the People's Liberation Army and of the paramount leader, Deng Kiaoping, now the object of a virtual

Army Day was used by the the older generation of prole-tarian revolutionaries played a great role in this struggle"

A four-part video series, Fluttering the Flag of the Republic, an official version of the crackdown, has been released, along with a public exhibition of 340 army-approved and carefully chosen photographs. Already in the

country's cinemas is Baise Uprising, a film glorifying the military career of Deng.

The film depicts Deng, now 84, as a young man in his first key mission in 1929, and is notable for the leading actor's

likeness to the young Deng, Despite wide distribution of free tickets; the film has been reportedly playing to half-filled While Qin Jiwei spoke of "many countries" supporting the army's role in crushing the

democracy movement, "US, European Community, Scan-danavian, Japanese and Australian diplomats boycotted the function in protest at the use of the PLA to crush

The official media has been full of army news, but there has been no mention of Major Zuo Kiukai, who, with his wife, left a detachment of troops monitoring the Korean border and crossed to South Korea. The incldent is particularly embarrassing for the Communist Party and army leader-ship, which have been attempt-ing to show a united front in the wake of the crackdown.

the movement.

The official news agency Xinhua, meanwhile, reported that two more people were exe-cuted at the weekend in connection with what the Government describes as a counter-revolutionary coup.

Reuter reports from Amman. A three-page Contral Bank memo freed banks to trade hard currency at market rates but said they must continue to observe a fixed official rate for public sector imports of basic

food, some medicines and fees of Jordanian students abroad. The dinar lost 36 per cent of its offical dollar value in the past year and 57 per cent on its black market because Jordan ran short of foreign exchange to cover its payments deficit, including the cost of an \$8bn

foreign debt.
The Central Bank set its offi-cial rate at 576.4 fils to the doilar yesterday, unchanged from Sunday. On the black market the rate was about 850 fils to the dollar. The dinar has 1,000

Some bank dealers said they would compete with the black market but few had dollars to

Government forces mauled in Jalalabad

KABUL government forces are helieved to have inflered heavy losses in recent fighting around the eastern dity of Jal-alabad, writes Christina Limb in Islamabad. According to western diplomats in Islamabad, the Alghan

army lost more than 69 Soviet supplied tanks and armoured personnel vehicles during a personnel vehicles during a two-week long offensive.

Both sides have suffered heavy casualties in the battle for Jalalabad. Surgeons operated on 3.224 guerrillas between March and May and 2,400 more were hospitalised according to foruses comulied. according to figures compiled by Pakistan's Afghan Refusee Commission. They were only the ones who could make it

out, said Coi Altaf ur-Reh-man, director of medical ser-vices, admitting that thou-sands more may have died. Western diplomats believe that though regime losses were lighter they are less able to sustain them.

boat people policy MR JOHN MAJOR, the British

Foreign Secretary, yesterday denied that Britain's policy on the compulsory repatriation of Vietnamese boat people from Hong Kong had changed under US pressure, writes Rubert Mauthner in London.

authorities were still trying to establish how many would return voluntarily. "The conditions in the camps require us not to leave the message that people can continue to come from Vietnam to Hong Kong and stay there," he said.

East Asia and Pacific debt burden warning

By Chris Sherwell in Sydney

THE East Asia and Pacific region, widely regarded as a development success story, is in fact suffering a rapidly growing debt burden, according to Australia's official aid

agency.
The Australian International Development Assistance Bureau says that in recent years the region — excluding the four newly industrialising countries of South Korea, Singapore, Hong Kong and Taiwan

- has experienced "the fastest
growing debt hurden of any

In a document produced for a parliamentary committee, it points ont that net financial flows to the region of external long-term debt, both official and private, have declined sharply since 1984, while at the same time debt servicing ohligations have grown.

hureau draws attention to the impact of these trends on Indonesia, Malaysia, the Philip-pines and Thailand in South

pines and Thalland in South
East Asia, and Papua New
Guinea and Fiji in the South
Pacific region.
In the case of Papua New
Guinea, it says the ratio of
long-term deht to gross
patiently mythat at the gold of national product at the end of 1987 was 98 per cent, higher than the Philippines (87 per cent) and Indonesia (80 per cent). Fiji's figure was put at 42 per cent.

The largest single element in declining resource transfers to East Asia and the Pacific has been a dramatic fall in private sector flows," the report

It adds that the US fiscal and current account deficits have been an underlying cause, hecause these have attracted Although using figures no capital flows to the US at the more recent than 1987, the expense of others.

India and Sri Lanka in effort to end deadlock

By David Housego in New Delhi

INDIA and Sri Lanka yesterday agreed to prolong high level talks in Delhi in an effort to hreak the deadlock between

Prime Minister yesterday after three days of negotiations had failed to make much headway. He is expected to stay on in

dial atmosphere". Sri Lankan diplomats said Mr Wijaratne's expected delayed departure

was a good sign. The size of the Sri Lankan delegation, which includes Mr minister who has been in

the two governments over the timing of Indian troop with-drawals from Sri Lanka. Mr Ranjan Wijeratne, the Sri Lankan Foreign Minister, saw Mr Rajiv Gandhi, the Indian

Delhi for a further day. The Indian government said the talks with Mr Gandhi had been held in a "warm and cor-

Sunil de Silva, the Attorney-General and Mr A.C.S.

Tigers, demonstrates anxieties on both sides that a breakdown could spark conflicts between their two armed forces. . According to those close to the talks, the Indian side is

charge of talks with the Tamil

seeking to postpone a full with-drawal of the Indian peace-keeping force until March next year. This would mean they were still present on the island during the Indian general elec-tion and would leave in advance of a regional summit gathering which India wants put off from November until next year.

President Premadasa is now arguing the Indian forces should be out by November – the original date for the South Asian summit meeting - on the grounds that any further delay would expose the country to even greater violence from Sinhalase and Tamil

Financial sanctions are 'ideal as weapon against apartheid'

Chris Sherwell previews an Australian study that calls for a tightening of the screws on foreign funds to Pretoria

PPONENTS of apart-heid should push for a tightened embargo on international lending, encourage South African companies to invest abroad and forget about a gold ban, according to a book on financial sanctions commissioned by the Australian Government

The book*, to be launched in Canberra later this month at a Commonwealth foreign minis-ters' meeting on South Africa's race policies, updates tha so-called "Cole Report" by a technocrat in Prime Minister Bob Hawke's office. It is jointly written with a New Zealand elance writer. In highlighting the impact of

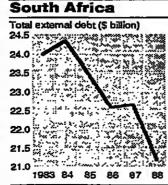
financial sanctions, the book points to a remarkable admis-

price of gold was now vital to belp the country through its debt rescheduling problem in The debt problem springs from South Africa's shock dec-

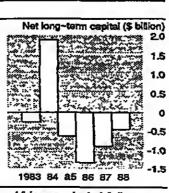
laration of a moratorium on repayments in 1985, following an abrupt decision by international banks not to roll over their loans. Pretoria has since secured two interim agrea-ments on sbort-term rescheduling, but must now renegotiate \$14bn falling due in June 1990 or risk default.

According to the book, finan-cial sanctions have proven "almost ideal" as an interna-tional weapon against apartheid. It says they are easy to impose, and place consistent pressure on decision-makers' and the political process. sion in May hy Mr Barend du Plessis, the Minister of Finance, that South Africa Above all, they are a weapon that market forces work to almost closed its foreign exchanges in December 1988, and that a rapid rise in the encourage.

financial sanction works with and not against



tendencies inherent in the economy of international finance," the authors note. "South Africa is being excluded from the world stock of savings not because bankers and financiers are ideologically united in their detestation of apartheid . . . hut because most of them now see South



Africa as a bad risk."
In considering ways the current embargo on international finance might be strengthened, they suggest the following:

• More should be done about short-term trade credits, to which South Africa still retains access in particular, all official export credit agencies should

take South Africa off cover in order to make the market accept more of the risk.

Diplomatic efforts should be directed at the rapidly expand-ing capital markets of the Far East - Taiwan, South Korea and Hong Kong (via the UK) - to close them to South African horrowers. These econocan norrowers. These economies should be drawn into "the sbared Western active disapproval of apartheid", and a "transparency agency" should be established to keep the public informed. • Notwithstanding this,

Notwithstanding this, anxious South African companies which invest outside the country and do not repatriate their profits make the country's domestic economic problems worse. "For those who wish to see apartheid overthrown," the authora say, "these are matters to he encouraged" – though they point out that Pretoria also backs certain foreign invest-

ments to protect strategic trade links. Banks which have lent to South Africa should be encouraged hy governments, shareholders and the public to pre for their repayments at the highest possible rate, but with-out triggering a default, which

would be costly both for them and their customers.

On the much-debated question of gold sanctions against South Africa, the authors say these would be impracticable. Gold is less important than it was, they argue, the international agreement essential for sanctions to succeed would be sanctions to succeed would be near-impossible to achieve, and an attempted embargo would shift the trade into the world of

As for the issue of whether disinvesting foreign companies should enter licensing and royally deals with South African interests, the authors judge that the economic effect of

such agreements is neutral in the short to medium term, and in the long-term would offer in the long-term would offer only a "amail advantage to the regime".

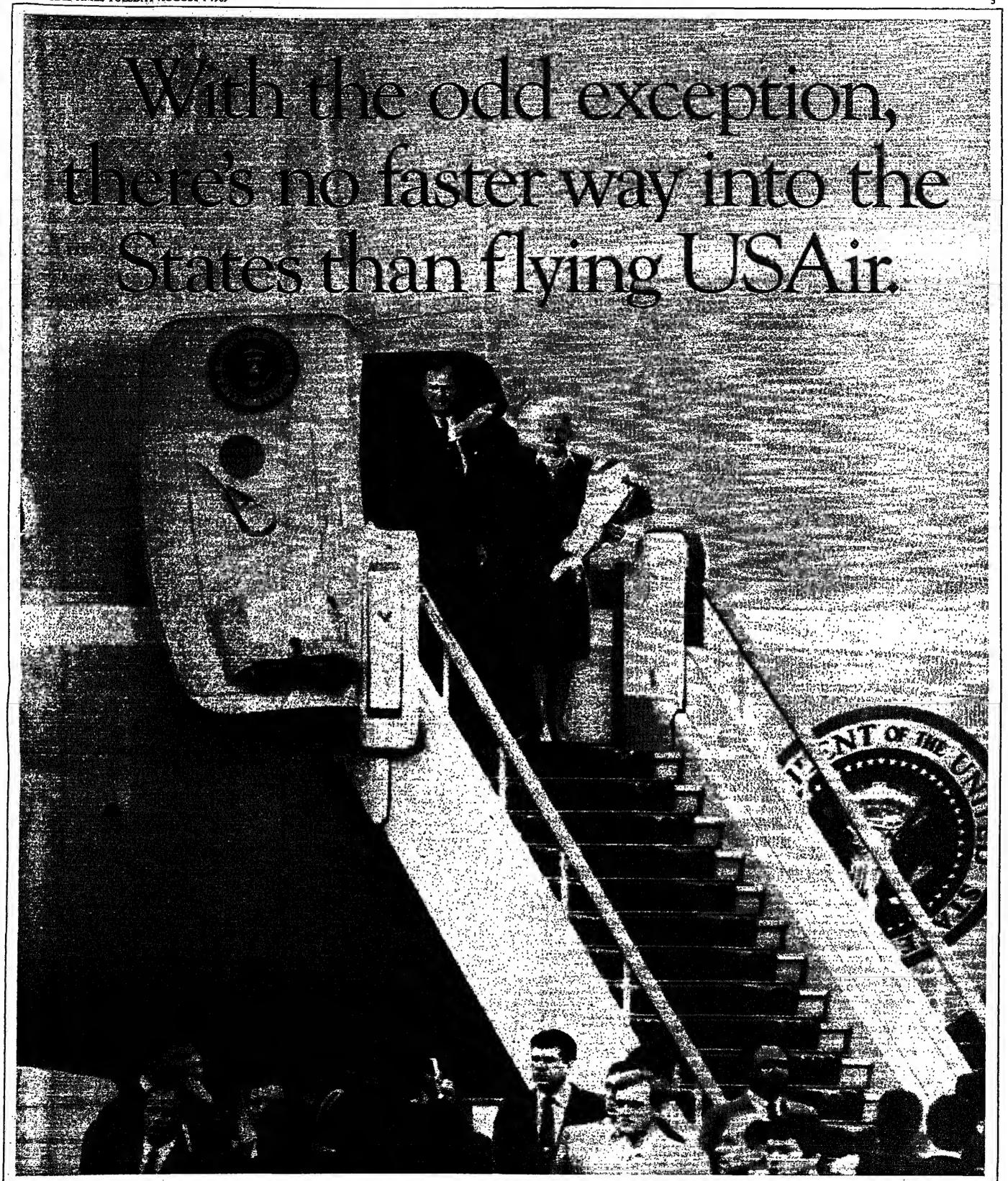
In addition, the book argues that occasional international movements of equity capital to South Africa do nothing to shore up the sagging base of the economy as a whole.

The meeting in Canharra will be the fourth of the eightnation Committee of Foreign

nation Committee of Foreign Ministers which was set up by the Commonwealth when its heads of government mat in vancouvar in Octoher 1987.
The committee emerged from the asbes of the so-called "eminent persons group", and is supposed to further the Commonwealth's proclaimed objective of digmenting apprehending tive of dismantling apartheld *Apartheid and International Finance: a Program for Change, by Keith Ovenden and Tony Cole (Penguin Books Australia)

UK denies change in

Lut he conceded that the



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WORLD TRADE NEWS

Soviet Union faces EC probe on chemical pricing

THE Soviet Union yesterday became the target of a Euro-pean Commission investigation into alleged unfair under pric-ing of a key chemical used as a disinfectant in egriculture and

water treatment. The inquiry could lead to the imposition of anti-dumping imposition of anti-dumping dinties on Soviet-made potassium permanganate, familiar to many people as a staple of child chemistry sets, hut more importantly used as a cleanser in waste water treatment, fish breeding, metal surface cleaning and chemical production. According to Commission tion. According to Commission figures, the EC used nearly 3,780 tonnes of potassium per-

manganate in 1987. Cefic, the European chemical industry federation, brought the Soviet Union on behalf of the EC's only producer of this substance, Industrial Quimica de Nalon of Orvieto, Spain, which warns that its survival

is being threatened.

This is Cefic's fourth complaint against unfair under pri-cing of potassium permanganate in recent years. The EC imposed anti-dumping duties of np to 20 per cent on Chinese imports of the substance early in 1988, having earlier accepted promises to maintain minimum prices from Czechoslo-

mum prices from Czechoslovakia and East Germany.
According to Cefic, the Soviet Union only started to export potassium permanganate to the EC in 1987, when it sold 20 tonnes, just 0.5 per cent of of Community consumption. Soviet sales of the chemical

Moscow's forint coffers emptied

leapt to 257 tonnes in the first six months of 1988 alone, representing a 13.6 per cent market share. Its prices were "significantly below those practised by the Community producer," Cefic told the Commission.

Industrial Quimica de Nalon's share of the EC market meanwhile collapsed from 25.2 per cent in 1987 to less than 10 per cent by early this year,

per cent in 1987 to less than 10 per cent by early this year, said Cefic. In the process its sales and profits fell, while stocks piled up. The Spanish company was forced to make partial closure beyond the restructuring it had already been planning. In the absence of EC protection, it fears its viability is threatened.

viability is threatened. The Brussels authorities

have given all involved 30 days to put their point of view.

By Judy Dempsey in Vienna

WHILE eesier trevel to Hungary for Soviet citizens has led to the growth of a huge black market on the Hungarian-Soviet border, it has also led to a major sbortage of pocket money for the travel-thirsty Soviets.

For every trip to Hungary, each Soviet citizen is allowed Roubles 30-worth of Hungarian forints. That amounts to no more than 580 forints or \$10, just about enough for a dinner of goulash and pancakes for all the family.

But beceuse well over 1m Soviet tourists have taken advantage of the liberal travel

Malta lifts

import bans

on 229 items

products, from foodstuffs to

trade to sanction the import of

another 31 products.

The government's decision roused immediate opposition

labour party and trade union

protests. Both claim the island

would be exposed to imported

inflation and increased unem-

heing allowed in.

regulations which were intro-duced last March between both countries, the Soviet Union has now run out of forints.

It transpires that the 1.2bn forints set aside for 1989 had been totally exhausted by the end of May. Normally, it lasts the whole year. But the unex-pected influx of Soviet tourists has dried up the coffers. Indeed, the exchange of

forints for tourists in the Union bas been

Both sides are searching for a solution as the tourist season reaches its peak. The Hungarians are, among

other things, proposing that Hungary's export quota to the Soviet Union be reduced so that the difference be allocated to the tourist fund. Another idea being floated is that the Hungarians should increase the forint fund made available to the Soviet Union in return for more Soviet imports.

So far, no solotion has been found to the run on the forint. No doubt the black marketeers in Zahony, the main border crossing between both countries, will be pushing up the value of the forint as Soviet tourists look for alternative means of financing their stay in Hungary.

Michigan to be site of Australian engine plant

By Chris Sherwell in Sydney

MALTA is lifting import bans on a wide assortment of goods, entry of which into the island THE US state of Michigan is to be the site of the first manufacturing plant for a revolution-ary two-stroke engine devel-oped by an Anstralian inventor, Mr Raiph Sarich. was restricted for years due to stringent trade protectionist policies, Godfrey Grima reports from Valletta. Dr Eddie Fenech Adami's government has listed 229

Mr Sarich and Michigan's governor are expected to announce the establishment of the plant tomorrow, but are unlikely to identify the local partner.

jewellery and toys to be freed from import bans imposed by the previous socialist adminis-Mr Sarich's two-stroke, three-cylinder, 12-litre engine To give local manufactures an edvantage over imported goods, Dr Fenech Adami's is said to develop as much power as a conventional fouradministration has imposed stroke, four-cylinder, 1.6-litre stiff tariffs on products now It is half a conventional A white paper tabled in parengine's size and weight, has liament over the weekend fewer moving parts, uses sigempowers the minister for

nificantly less fuel and produces exbanst emissions within modern pollution limits. The decision to build a plant in Michigan is a blow for at least three Australian states which had wanted it them-selves. But the extra costs of a selves. But the extra costs of a make its fuel injection system local production plant could in a joint venture.

not apparently be cut enough to compete with the US plant. Mr Sarich is the largest singie shareholder in Sarich Technologies, the parent of the Orbital Engine Company through which the engine was developed and licensed. Orbital is the group'e trademark.

In June last year, the com-pany signed a licence agree-ment with Ford of the US. A year later, a similar agreement was signed with General Motors. Last month, another was concluded with Bajai Auto of India, one of the world's largest makers of motorcycles

nd scooters. Orbital had previously secured licencing agreements with the two biggest US marine engine manufacturers. the Ootboard Marine Company and Mercury Marine.

It also joined forces with Walboro Corporation, the large US carburettor and fuel systems manufacturer, to

Hong Kong TV battle set to end today

By John Elliott in Hong

FIVE-MONTH hattle between Hong Kong's two between Hong Kong's two most powerful entrepreneurs, Mr Li Ka-Shing and Sir Y.K. Pao, backed by British Telecom and US West, for the colony's first cable television licencee is expected to and today with the government deciding on the winner.

For months, Mr Li Ka-Shing's Hutchison CableVision consortium, which includes the Peking-based China International Trust and Investment Corporation, as well British

Corporation, as well British Telecom has been expected to

Its proposals have been drawn up over the past five years and were backed by government consultants hired to examine the tenders which were submitted in February.
But in the past couple of
weeks, Sir Y.K. Pao'e Hong
Kong Cable Communications,
which includes US West and
only decided to enter the race

at the last minute, is believed to have moved ahead and is now regarded as the favourite. The bids will be considered

today by the government's executive council whose job it is to make the final decision on the 15-year licences which are expected to involve investment of HK\$4bn-HK\$5bn (£311m-£388m). Government officials have falled in recent weeks to persuade the two groups to merge.

This is expected to be the

world's largest cable TV sys-tem covering 1.5m homes. But it has attracted attention in the international teletion in the international tele-communications industry because its TV network could be used to offer a second tele-communications channel after 1995 if, as is expected, the gov-ernment decides to end a monopoly on voice transmis-sions held by Hong Kong Telephone. The network can also be used immediately to offer non-voice telecommunications services.

Airbus A321 firm orders reach 60

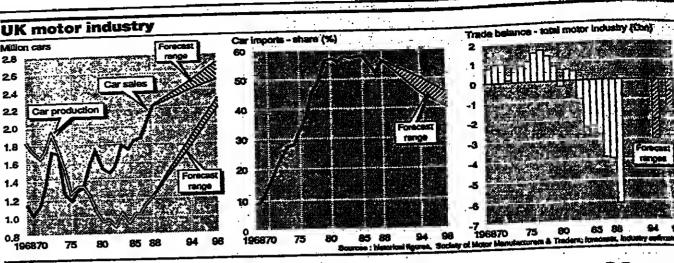
AIRBUS Industrie has announced 28 new firm orders for its planned twinjet A321, the stretched version of the A320, with options on a further 20, Our World Trade Staff

The customers are said to be the Spanish airline Iberia, which ordered eight, and Alitalia, with 20 orders and 20

The orders bring the total of firm commitments for the aircraft to 60, with another 25

Airbus had said earlier that it needed 40 firm orders to proceed with the launch of the aircraft, which is expected in September.

UK NEWS



Motor sector feels the Japan effect

Kevin Done on how a chronic trade deficit stands to be transformed

HE WAVE of inward investment by Japanese car makers into the UK is transforming the prospects of the motor industry in Britain, even as the final bells are tolled for the British-owned

motor industry. The decisions by Nissan, Toyota and most recently Honda to begin car production in the UK appear to guarantee that output in the second half of the 1990s will exceed 2m cars a year. This is more than dou-ble the level of the first half of the 1980s, and the build-up of production promises eventual relief for the sector's chronic trade deficit.

The alarming trend of UK car sales, imports and production in the last two decades explains why the Government has been willing to welcome Japanese car makers to British shores with such open arms, whatever the impact might be on car makers in the rest of

Enrope. From 1983 the UK balance of payments has shown a deficit on manufactured goods for the first time since the Industrial Revolution, and the motor industry has played a key role in the elump.

The motor industry trade balance has been deteriorating sharply since the end of the 1970s and has been firmly in deficit since 1982. Last year the deficit jumped by 53 per cent to a record £6.11bn, accounting for 30 per cent of the total UK visible trade deficit in 1988 of £20.34bn. The picture has wors-

ened this year.

A weak motor industry can have a dire impact on an industrial economy and its trade balance. In the US more than half the \$52.6bn (£31.9bm) trade deficit with Japan is a motor industry trade deficit. Such was the depth of the

slump in the fortunes of the UK industry during the second half of the 1970s and the first half of the 1980s, that it appears unlikely that even the massive injection of capacity promised by Nissan, Toyota and Honda, will succeed in entirely eradicating the sec-tor's big trade deficit. The present large gap between UK new car demand and UK car production will be narrowed substantially, however.

At the same time the UK will begin to regain its earlier role as a significant car exporter. However, the badges on the cars will read Nissan, Toyota and Honda rather than Austin, Morris and Hillman, and importantly the UK content of this new breed of British-built cars will be much lower than their predecessors'.

From the narrow perspective of the British trade balance it

can easily be argued that the Japanese car makers have offered a desperate last chance for the Government of stopping

the rot.

There was little prospect that the remnant of the Brit-ish-owned motor industry would be able to do much to improve the picture. The US-owned parts of the industry, in the shape of Ford and General Motors (Vauxhall in the UK). are so well ensconced in the rest of Europe that they are unlikely to increase radically the scope of their UK operations. Pord is even in the process of moving UK produc-tion of its Sierra to Belglum. ion of its Sierra to Belgium. The drama of the fluctuations in the fortunes of motor manufacturing in the UK can hardly be overstated.

From the early 1930s to 1955 the UK had Europe's largest motor industry. In 1950 the UK moved ahead of the US to

It now appears certain that by the second half of the 1990s Japanese car makers will account directly for around a third of UK car production of about 2m units a year.

Another third may still be European-owned with Peugeot of France producing at Ryton, Coventry, with a significantly enhanced capacity and Rover Group, at least nominally UK-owned.

Rover is already importantly dependent on Honda technoldependent on Honda technology, however. Its present owner, British Aerospace, had eagerly sought to sell at least a minority staka to Honda, and from August 1993 it will be freed of its undertaking to the UK Government last year "not to relinquish control of either Austin Rover or Land Rover

within five years."

Jaguar, the remaining significant outpost of UK ownership in the motor industry (apart

The motor industry trade balance has been deteriorating sharply since the end of the 1970s and has been firmly in deficit since 1982

become the world's largest exporter of motor vehicles. In 1968, when the UK-owned industry combined its forces to form the British Leyland Motor Corporation, the company was fifth in world terms behind the US hig three - General Motors, Ford and Chrysler -and Volkswagen of West Ger-

In 1968, BLMC accounted for 40 per cent of UK new car registrations. Today the rump company that remains from the British Leyland deback, Rover Group, the only UK-owned maker of volume cars, is about to become 20 per cent owned by Honda of Japan. It has not developed a car alone since the launch of the Montego in 1984; its two

efforts, the Rover 800, launched in 1986, and the Rover 200/400, to be launched in October, being the result of collaborative efforts with Honda. In the first six months of this year. Rover's share of the UK market had fallen to an all-time low of 13.75 per cent behind both Ford (27.3 per cent) and Vauxhall (15.1 per cent). The UK is ninth in the world production league and fifth in Europe behind West Germany,

France, Italy and Spain. Unlikely as it may have seemed even a couple of years ago, the UK car production base is now to be re-built with Japanese help. Back in 1952 Nissan was producing Austin cars in Japan under licence from Austin Motor, and Honda

did not even market its first

from the tiny volumes of Rolls-Royce Motor Cars), is also under clear threat, as the Government's so-called golden share, which blocks a hostile takeover, expires at the end of 1990. The potential predators are already sniffing the air. The remaining third of the

UK car production base will be US-owned — GM also owns Lotus, and Ford controls Aston Martin. With total planned investments of more than £1.8bn the Japanese are now committed to seeking to close the big gap between UK car production of 1.227m last year and domestic car sales of 2.215m.

Mr Simon Foster, director of the Society of Motor Manufac-"From the present 1.2m cars made here, we calculate we need 2m by the mid-1990s in order to reduce our industry's balance of payments deficit in a growing market." At least in balance of trade terms the Japanese are riding to the rescue. According to Professor Garel Rhys, professor of motor indus-try economics at Cardiff Business School, the UK currently
has a capacity to make about
1.6m-1.7m cars a year. Demand
has already reached more than

2.2m cars a year following four successive years of record sales. Prof Rhys says "the 1990s should see 2m-plus car markets being the norm, with anything between 2.5m and 2.8m being possible by the late 1990s." He suggests that UK car production capacity will rise to 1.95m by 1993 from 1.7m

Investment by Ford, Vaux-Investment by rord, value hall, Peugeot, Jaguar and some small UK specialists could increase capacity by about 200,000 units. However, much of this will be offset by the planned closure of Rover's Cowley South works in the

early 1990s.
The impact must come from the Japanese investments: Nissan is committed to building 200,000 cars a year at Sunderland in 1992-93. Output totalled 56,000 last year.

Toyota is committed to building 100,000 cars a year by late 1995 rising to 208,000 cars a year by 1997-98 at Humaston, near Derby, but this timetable could well be brought forward. Honda is committed to building 100,000 cars a year by

Nissan has already indicated its ambition to expand to a its ambition to expand to a capacity of 400,000 cars a year by tha late 1990s, and both Toyota and Honda are expected to expand eignificantly According to Prof Rhys the Honda, Toyota and Nissan plants will make at least 400,000 cars a year by 1994 plus as many as 100,000 Honda-badged vehicles emerging from Power plants.

Rover plants.

Each of the Japanese makers is planning to export between half and two thirds of their output to continental Europe. Some £4.7bn of the total UK motor industry trade deficit of £6.11bn last year was accounted for by cars - more then one in every two cars sold in the UK was imported. Imports totalled more than

1.3m while car exports only just exceeded 250,000. "Only if the UK motor industry makes more cars, sells more abroad and reducee imports will the motor industry's balance of payments defi-cit be substantially reduced." says Prof Rhys.

The rash of Jap ments will move the UK in this direction, but there is still likely to be a built-in trade def-

kit on cars, He warns that the deficit must be reduced to manage-able proportions with substan-tial capacity and production expansion, "otherwise the authorities, fearful of the balance of payments implication, could take action such as credit controls to moderate the growth in car demand."

In the short-term, however, there is little relief in sight as long as car sales continue around their present record level. In the first three months of this year the motor industry deficit jumped again by 24 per cent to a first quarter record of £1.65bn under the impact of a further surge in car imports.

Where small can be bountiful

The Caribbean prepares for its own 1992, writes Canute James

OR Mr Kennedy Simmonds, Prime Minister of the Caribbean country of St Kitts-Nevis, there is little hope that his country, with a population of 46,000, can develop its economy on its

own.

A Jamaican brewery starting with the advantage of a large home market and seeking to enter the St Kitts-Nevis beer market, would have to make only a minor adjustment to its output," Mr Simmonds told the recent annual summit of the Caribbean Economic Community (Caricom). "On the other hand, a brewery in St Kitts Nevis would probably bave to exhaust the entire water supply of these islands to make even a marginal impression on the Jamaican But according to Mr Michael

Manley, Prime Minister of Jamaica, which has a population of 2.3m people, there is only one solution to the problems faced by his country and others like St Kitts-Nevis. "The only way small countries will advance is if they can, as rapidly as possible, get together to create a single economy with economies of scale," Mr Manley told the

These considerations were mong the factors which led the leaders of the community to conclude their meeting in Greoada with an agreement to integrate their small economies with the creation of a common market by the middle of 1992. They will be guided by a framework which was drafted when the community was launched in 1973, and which had identified the main areas of economic integration

of the English-speaking countries of the region. Of the 13 community members, the Bahamas was the only one to have stated categorically that it was not interested in a common market. However, the efforts of the others to improve economic rela-



tions have been repeatedly frustrated. Governments have frequently imposed restrictions on imports to protect troubled national economies.

Parochial considerations and political convenience have stood in the way of unenthusiastic efforts at industrial co-operation. Regional producers have found that even when they were competitive in price and quality, governments favoured imports from third countries. The situation has not been belped by frequent rows between leaders, sparked by personal, ideological and policy differences.

The decision to move towards a common market was as much the result of a growing acceptance of the increasing economic vulnerability of the region's small states, as it was the fear of being left hehind hy changes in the

global economy. Several leaders referred to the trade agreement between the US and Canada, the cre-ation of a single European market after 1992, reduced flows of bilateral and commercial financial assistance to the developing countries, and indi-cations that eastern Europe, with the stirrings of political and economic reform, could become a favoured location for western investors. There was also concern at the future of preferential trade arrangements with the US, Canada and the EC, in a world which is

moving towards liberalisation

of trade "Caribbean countries are being forced to make this move because of external factors. agreed Mr Byron Blake, direc-tor of economics and industry for Caricom. "All these changes have forced Caribbean countries towards the concinsion that they will have to be more dependent on each other, both in trade and financial

Some leaders, such as Mr A. N. R. Robinson, Prime Min-ister of Trinidad and Tobago, regard the global changes as being a "source of concern as well as the source of a challenge" for the Caribbean, while Mr Manley contends that "the formation of a single market in Europe in 1992 should provide us with an inescapable point to try to settle practical questions

for our own common market". Having awakened to the danger, all Caricom members, except the Bahamas, are moving with speed to put their ing with speed to put their house in order. They have been helped by the improvement in trade among Caricom members last year when the value rose to \$364m, 14.6 per cent higher than 1987. This followed an 8 per cent increase for 1987. per cent increase for 1987 which ended the five-year decline, including a 32 per cent fall in 1966.

The first step towards the creation of the common market

trade within Caricom. The leaders undertook to complete a programme of deregulation, started last October, and intended to do away with all qualitative and quantitative restrictions. This will be accompanied by the imposition of a common external tariff for

the community.

"There will be need for a common tariff to stimulate production within the commnnity," explained Mr Hayden Blades, the community's direc-tor for trade and agriculture. "But this tariff must not encourage inefficient produc-tion. It must be set at levels so that regional industry will become competitive.

One stimulus to trade is expected from the restarting of e multilateral trade payments facility which was closed in 1983 after it reached its \$100m ceiling with Guyana owing more than \$90m. The commu-nity is also starting work on the establishment of a regional capital market, based on the three stock exchanges in Trinidad and Tobago, Barbados and

The common market which the 12 countries are seeking will have an economy based on the export of commodities such as bauxite from Jamaica and Guyana, petroleum from Trini-dad and Tobago, and sugar and bananas from most members. Aimost all have a well-devel-oped tourism industry and a vibrant, although small, light

manufacturing sector. Even with a combined markven with a combined mar-ket of 5.5m people, the common market may not be able to escape the problems of scale which concern Mr Simmonds, Mr Manley and their col-leagues. But there appears to be common acceptance that the region is running out of time and needs to act quickly

and decisively.

"We simply have to join forces to strengthen the regional economy," argued Mr Winston Murray, Guyana's trade minister.

Interest rates push factoring to record levels By Charles Batchelor

HIGH INTEREST rates are generating record levels of demand for factoring as small companies attempt to ease

cash flow problems, the Associ-ation of British Factors said. The 10 factoring companies which make up the association reported a 22.5 per cent increase in business to £5.04bn in the first half of 1989, compared with the same period of 1988. ABF members, which account for about 90 per cent of all factoring husiness in Britain, expect to exceed £10bn worth of business for the first

worth of business for the ma-time in the year as a whole. Factors provide a three-fold service, handling the adminis-tration of sales invoices, providing up to 80 per cent of the value of invoices in cash, and assessing credit risks.

The amount of cash provided against invoices in the first half of 1989 rose by 26 per cent to £867m from £686m last year. The turnover of companies to make use of invoice discounting, the fastest growing sector of the factoring industry, rose by 32 per cent to £2.42bn.
The amount of domestic factoring rose by 18 per cent to £2.37bn, while international business increased by 4.5 per cent to £257m. The number of companies making use of fac-

toring rose from 5,876 to 6,553.

Bad debts absorbed by factors on behalf of clients rose by 14 per cent to £1.91m, while the average period for which debts were outstanding fell by one day to 60 days.

W German criticises economy

By David Goodhart in Bonn

A LEADING West German industrialist has delivered a highly critical assessment of the effect of "Thatcherism" on the British economy and

Mr Dieter Kirchner, head of the German Metal Industry Employers' Federation, told the magazine Wirtschafts Woche that British training and technology remains back-ward. British management uninnovative, and that class division has widened enor-mously, after his tour of the UK earlier this month.

UK earlier this month.
Senior German industrialists
are usually complimantary
about Mrs Thatcher's economic
reforms, often complaining
that their political system prevents a similar shake-up in

few months and several more from the UK have also had to

Over the past 12 months

Germany, and they have significantly increased direct invest-ment in Britain over the past

10 years. This assessment of the Thatcher years is especially surprising coming from Mr Kirchner as he leads what is considered to be the most

aggressive of the major employers' organisations. He says that Mrs Thatcher's reforms were necessary for Britain, but now adds: "After my last visit to England I have come to the conclusion that the drastic cure, necessary thought it was, has also left a great deal of damage.

"It has effected the institu-tions and traditional values of English society and enormously sharpened class divi-

Advising German amployers on how to reap the benefits of recent changes - particularly lower wages and taxes - he suggests the establishment of greenfield sites and the

implanting of German manage-ment and training systems. But he warns that there is a pressing skill shortage in Britain which, he says, along with "not especially innovative management," has held back modernisation.

"In contrast to England, our businesses have learnt to plan for the long-term, and have also recognised that success comes from combining motivated workers with intelligent management," Mr Kirchner

Factory space warning for mid Wales

By Anthony Moreton, Walah Correspondent

AN ACUTE shortage of land An ACUTE shortage of land for development in rural mid Wales is endangering the area's ability to sustain the economic revival that has taken place in the past two to

Two foreign companies wanting to set up in Welshpool and Newtown had been forced to look elsewhere in the past withdraw because a lack of fac-tory space, Mr Glyn Davies, chairman of Mid Wales Development, said in Newtown yes-

there had been a record level of economic activity, Mr Davies said, presenting the cor-poration's annual report for 1988-9, but the board had been ft of space was allocated to unable to keep pace with the demand for factory space because of lack of land for

Demand for factory space had been unprecedented, ha said. More than 500,000 sq ft had been allocated last year which promised 1,000 jobs in the first year and 1,500 as the companies taking the factories enlarged their operations.

businesses already within mid Wales and 20 factories were allocated to now businesses formed in mid Wales

Mid Wales Development is the government backed body charged with resuscitating the economy of central Wales, a largely rural area with a number of small towns.

In spite of the constraints on land supply jobs continue to be created in the area and this success has spread into the current year. In the first quar-"I am particularly encourter of 1989 another 200 jobs aged by the fact that 326,000 sq have come into axistence. THE MAN on the motor

bike was beginning to

waver. The Southamp-

ton docker said he had never

been so torn in his life as he

wrestled with himself about

and abandon the national dock

had gathered outside South-

The motorbike man dallied

that the Liverpool dockers came close to success. Most of

their Southampton colleagues
- including union officials -

drove through the picket lines without stopping. According to the Southampton port employ-ers all of the city's 440 former

registered dockers who have not applied for redundancy

were back at work yesterday after their weekend vote to end

strike were still achievable.

Ports strike flags as 1,000 Flying pickets fail to stop return to docks dockers go back to work

By Charles Leadbeater, Labour Editor

MOST of Britain's dockers are back at work after the return of about 1,000 dockers at eight

Port Employers (Nape) said the returns, the largest in a single day since the strike began, meant 3,684 dockers were working normally, with 2,725

About 9,220 dockers regis-tered under the abolished National Dock Labour Scheme - which regulated employment and conditions at most British ports - began the strike on July 3. Some 2,812 of them have been made redundant or left the industry vol-

The returns at the ports of Hull, Southampton, Fleetwood, Whitehaven, Leith, Greenock and two wharves on the Transport and General Workers' Union's campaign to revive the flagging strike

About 60 dockers at Tilbury. near London rejoined the strike, having returned to work last week with 490 colleagues. Their move follows the TGWU leadership's decision to focus the strike on the reinstatement of 16 union officials at Tilbury made redundant last week. The strike was called to win a London Underground railway and the unions are to meet this morning in a fresh attempt to resolve the longrunning dispute on the eve of the 14th 24-hour strike since April, writes Fiona Thompson.

The talks are expected to make some progress, but it is thought unlikely that enough headway will be made to prompt a cancellation of Wednesday's stoppage called by the National Union of Rail-

drivers' union. Meanwhile, British Rail and the rail unions are to resume their talks on bargaining machinery at the conciliation sarvice, Acas, this morning. The move follows last Thurs-day's decision by the NUR to accept BR's 8.8 per cent pay offer and suspend its series of 24-hour strikes.

vaymen and Aslef, the train

national agreement to replace the abolished scheme.

The TGWU said the mens' decision was a reflection on the terms and conditions under which dockers are being asked to work; at Tilbury these have included the withdrawal of union recognition for collective bargaining.
The union's ruling general

executive council, its national docks committee and senior officials are today expected to draw up a programme of mass meetings at working ports, in an attempt rally support for the strike. The TGWU leader-ship will resist calls for the strike to be called off to allow an orderly return to work. However, about 90 dockers at

Ipswich, in East Anglia, are to meet today to consider returning to work. They have remained on strike while details of a local agreement for the port have been drawn up. The deal will remove demarcation lines between dockers and cargo handlers and vari-ous grades of drivers. Pay ades will be hased on the quisition of skills.

A similar deal was yesterday

under discussion at the southern port of Southampton after the return of 450 dockers. Associated British Ports, one of the biggest port employers, is taking legal advice over largely ineffectual picketing by Liverpool dockers. But it eaid it would only consider legal would only consider legal action if the picketing seriously affected its husiness.

the two-week strike. Forty-one of the 61 main ports originally covered by the abolished scheme, were back at day in Southampton, Hull and several smaller ports will pro-vide officials of the TGWU genwork, including all 19 ABP eral workers' union with food

for thought as they meet today to consider how to intensify the strike. It did not, bowever, appear to dent the confidence or enthusiasm for the strike of the Liverpool pickets in South-

whether to cross a picket line During the TGWU's fourmonth campaign to negotiate a replacement for the National Dock Labour Scheme, which His audience were a section of the 60 or so dockers from the northern city of Liverpool who regulated employment and conditions in most of Britain's ampton's port gates at 5am to try to persuade the city's port workers that the aims of the ports, the 1,000 or so former registered dockers in Liverpool have been among the most vociferous supporters of the for about 10 minutes before reaching his decision. "If I do not go back in I would be the only bastard in Southampton to stay out," he said. "I am sorry, I have to go in."

It was one of the few times that the Livernool dockers.

stoppage.
Although dockers in other large ports like Bristol in the west and Teesside in the north-east remain on strike, they have not travelled the country to rally support with the vigour of their counter-parts in Liverpool.

At last Friday's meeting of

the TGWU's national dock delegate committee, about 300 men lobbied outside for the strike to continue and the vast majority were from Liverpool. Southampton port gates yester-

For many, it was the second trip to the sonth coast port within a week. They had been down to the city the previous Monday to lobby a meeting called to consider a return to

Yesterday's mission was

potentially a more dangerous one, because of the legal implicetions of their action. According to the port employers, the Liverpool dockers were guilty of illegal secondary picketing, because they were not lobby-ing their immediate place of

Not so, said the dockers. "There is no way this is sec-ondary picketing," said Mr Kevin Robinson, a docker for 24 years, who yesterday co-or-dinated the picketing and liaised with police. "We are involved because this port will he handling cargoes diverted from Liverpool." His view was not put to the test, probably because the employers did not feel the need to challenge it. They were justifiably confident of a return to work and there was nothing to suggest South-ampton dockers were being

intimidated. There were occasional taunts. "We are better footballers and better bloody men," shouted one Liverpool man, frustrated after seeing bundreds of dockers cross the

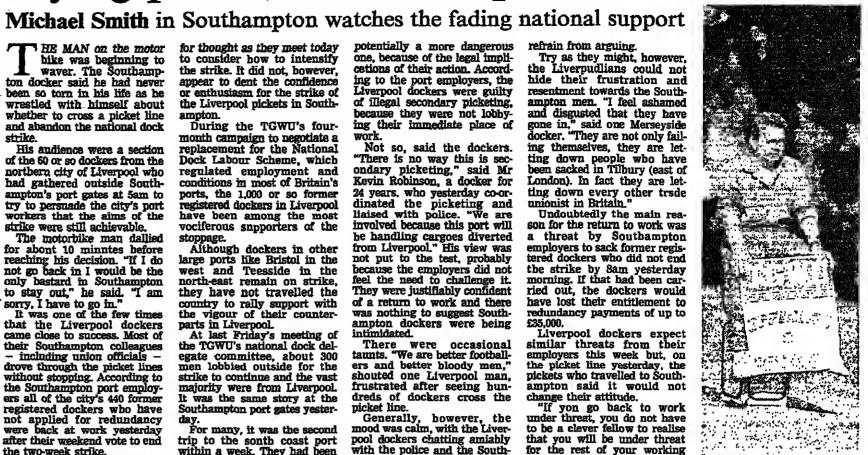
Generally, however, the mood was calm, with the Liver-pool dockers chatting amiably with the police and the Southampton port workers. When the atmosphere became tense, Mr Robinson would step in with a magaphone to tell his men to "keep it simple" and

refrain from arguing Try as they might, however, the Liverpudlians could not hide their frustration and resentment towards the Southampton men. "I feel ashamed and disgusted that they have gone in," said one Merseyside docker. "They are not only fail-ing themselves, they are letting down people who have been sacked in Tibury (east of London). In fact they are let-ting down every other trade

unionist in Britain Undoubtedly the main rea-son for the return to work was a threat by Southampton employers to sack former registered dockers who did not end the strike by 8am yesterday morning. If that had been carried out, the dockers would have lost their entitlement to redundancy payments of up to

£35,000. Liverpool dockers expect similar threats from their employers this week but, on the picket line yesterday, the pickets who travelled to Southampton said it would not change their attitude.
"If you go back to work

under threat, you do not have to be a clever fellow to realise that you will be under threat for the rest of your working life," said Mr Larry Dowling, a Merseyside docker for 24 years and a shop steward. "Within the next few weeks the employers will be sacking dockers.



worker from Liverpool takes a break from a day on the picket line in Southampton.

Digit crisis prompts call for longer telephone numbers

By Hugo Dixon

AN EXTRA digit should be added to all Britain's phone numbers in the early 1990s to overcome an acute shortage of numbers, according to a con-sultative document published yesterday by the Office of Telecommunications (Oftel), the

industry watchdog.

The change would mean that people would have to dial "0", followed by 10 digits for calls outside their local area.
This compares with the current system, under which peo-

ple must dial "0" followed by nine digits for most calls. Oftel made clear that the precise solution to the num-bers shortage proposed by Ovum, its consultant, was open to modification through con-

of Politics

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sultation.

However, it is generally accepted that some change to the eystem will be needed because of the rapid growth in unleashed by the Govern-ment's policy of liberalising

New services such as mobile communications and information services have already used np most of Britain's spare

capacity of numbers.

There are fears that, unless something is done, further. expansion will be stunted.

There is also concern that the present system stifles competition to British Telecom from rivals such as Mercury Communications.

Ovum has recommended that a new digit should be

inserted immediately after the

tion to the extra digit being added to London's phone num bers next year - the capital is facing an even more serious shortage than the rest of the country and so a temporary solution is being adopted for

Under Ovum's plan, the extra digit would be used to distinguish between different categories of service.

Normal phone numbers would have a "1" put after the This would mean the code for Birmingham would change

from 021 to 0121. Mobile phone numbers would have an "8" added to them, while "6" would be added for information services such as the freefone service. The digit "5" would be used for a new set of numbers called

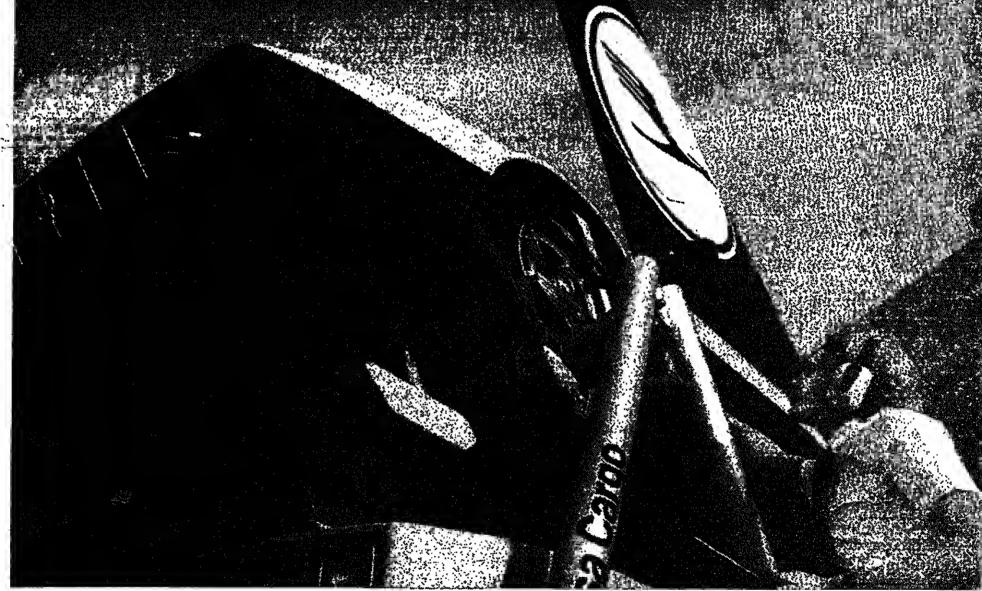
personal numbers. The idea is that people would be given personal num-bers and would then instruct the phone system to send their

phone calls to them wherever they were in the country.

The digit "3" would be used for private phone networks. These are expected to proliferate following the liberalisa-tion in private networks announced last month by the

Government.
The remaining digits - 2, 4, 7 and 9 - would not be allocated initially, but reserved for future expansion.

What's important to you is important to us, too.



Gatwick officials vote to step up industrial action

By Flona Thompson, Labour Staff

Gatwick Airport, 30 miles south of London, are to step up their industrial action over pay today by imposing a daily work-to-rule. The officers have been taking action since mid-June, but so far only at the

The officers' action was prompted by a new pay system imposed by the Treasury in May, which imposed a differential of £1,400 between immigra-tion officers at Heathrow airport, west London, and Gatwick. The new system was set up to pay extra money for staff in London. Under the

IMMIGRATION officers at Treasury breakdown, Heathrow, but not Gatwick, falls within London.

> the Immigration Services Union. The ISU on Friday announced that it had balloted all its 1,500 members at air-ports and ports throughout the country on taking action over pay differentials for staff out-side London. In a 60 per cent turnout, the ISU voted by a two-thirds majority to operate

The action will affect all ports and airports from Friday if there is no progress on pay talks by then.

Notice of Prepayment EUROFIMA ECU 50,000,000 9%% Bonds due 1993

Pursuant to paragraph "Purchase and Redemption" of the Terma and Conditions of the Bonds, notice is hereby given that Eurofima will prepay, on Septembar 7, 1989, the total amount outstanding of the above-mentionad Bonds at 101% of their principal amount, together with accruad interest (i.e. ECU 29.17 per denomination of ECU 1.000) from May 15, 1989 to the date of Redemption.

Payment of principal, premium and interest will be made in accordance with the Terms and Conditions of the Bonds. Bonds must have coupon due on May 15, 1990 and following attached.

Interest will cease to accrue on Bonds as from September 7, 1989.

Luxembourg, August 1, 1989

THE PRINCIPAL PAYING AGENT KREDIETBANK S.A. LUXEMBOURGEOISE.

Lufthansa

UK NEWS

Jobless figures forecast to rise above 2m again

By Ralph Atkins, Economics Staff

A SHARP slowdown in British economic growth and a rise in unemployment back above 2m are predicted by two leading forecasting organisations in

reports published today.
Oxford Ecocomic Forecasting and the National Westminster Bank foresee slower growth but modest improve-ments in inflation in the 1990s. Interest rates are expected to remain high for the rest of this year and still be in double figures by the end of 1990.

OEF says the economy will grow by about 2.5 per cent this year and 2.2 per cent in 1990, compared with about 4 per cent in 1988. It says the outlook for consumer speoding is "par-ticularly bleak" with the year-oo-year growth rate dropping to 1 per cent in 1990 compared

with 6 per cent in 1988.

It expects unemployment to reflect the delayed effects of the economic slowdown. The number out of work is forecast to continue falling for the rest of this year but then increase next year, rising above 2m at the beginning of 1991. It predicts the annual rate of

attacks EC

By John Hunt, Environment

BRITAIN IS mounting a

campaign for the repeal of a European Community directive which restricts the use of

matural gas as a competitor to coal. Mrs Virginia Bottomley, junior minister for the environment, told the conference for the International Association of

Meteorology and Atmospheric Physics yesterday. Natural gas emits far less carbon dioxide than coal and

makes a much smaller contribution to global warming, the so-called "greenhouse effect."

"its greater use in the future is a major technical contion."

is a major technical option,"

said Mrs Bottomley.
She cited the EC directive, dating from the 1970s, as one of the institutional barriers to a

more rational choice of fuels.

The UK is leading the moves to

have it repealed but is meeting opposition from the Commission and some other

Commission and a number of

our colleagues to convince,

said Mrs Bottomley.

The minister also criticised energy subsidies given by some

She said fair energy pricing

incorporating full environmental costs, was

important for a proper level of

investment in energy efficiency and for sustainable economic

concern over energy efficiency

some nations are still heavily subsidising their consumption of energy," she said. Mrs Bottomley emphasised

that nuclear power is an

important option for electricity

lt could not by itself solve

the greenhouse problem but

"even with good energy efficiency we should expect a

greater proportional use of nuclear power worldwide."

and physicists from all over the world are attending the

meteorology conference in Reading. It is the first time

that the four-yearly event

has been held in this

NOTICE

To the unitholders of CITINVEST PROFIT SHARING

Due to massive redemption requests it has been decided by mutual agreement between the Manegement Company CITINVEST PROFIT SHARING S.A., having its registered office at 48 boulevard Prince Henri, Luxembourg, end CITICORP INVESTMENT BANK (Luvembourg) S.A., having its registered office at 18, Avenue Maria-Therese, Luxembourg, acting as Depositary Bank of CITINVEST PROFIT SHARING.

SHARING is dissolve the CITINVEST PROFIT SHARING.

SHARING is dissolve the CITINVEST PROFIT SHARING.

As a result of such agreement and pursuant to a decision of the Board of Directors of the Management Company, the calculation of the Net Asset Value of the units and their issue and redamption have been suspended accordingly, the original of the Sharing will cease to be quoted on the Luvembourg Stock Exchange.

Luvembourg Stock Exchange.

About 800 meteorologists

"It is bizarre that amidst the

EC countries.

EC governments.

development.

generation.

gas ruling

Correspondent

Minister

inflation will fall to a little below 7 per cent in the last three months of this year. By the end of 1990 inflation is expected to have dropped just below 5 per cent. But OEF says this will still

be high by international stan-dards. Moreover, the underlying rate of inflation, after striping rate of initiation, after stripping out mortgage interest payments and seasonal foods, is forecast to be 5.6 per cent at the end of 1990.

OFF forecasts that the Government will continue.

ernment will continue repay-ing large amounts of public borrowing. Public sector debt repayments of £14.3hn and £15.1bn are pencilled in for the 1989 and 1990 financial years

respectively. National Westminster says Britain's economic growth rate will be below world and European averages in the next 18 months and forecasts growth rates of 2.5 per cent and 1.8 per cent for this year and 1990

respectively.
Mr David Kern, the bank's chief economist, says unem-ployment will rise by 150,000 during 1990, touching 2m at the

start of 1991. He also expects a limited improvement in the inflation outlook with the annual rate falling from 7.7 per cent at the end of this year to 5.2 per cent at the end of 1990.

The bank says npward pressure on interest rates has eased but an early reduction is

unlikely. It foresees base rates falling from the current 14 per cent to 13.5 per cent by December and 10.5 per cent by the end of 1990.

• Final figures for money supply and bank lending in June confirmed earlier provisional estimates of growth in the main aggregates. The Bank of England said that bank and building society lending rose a seasonally-adjueted £7bn in

Mo, the narrow monetary aggregate which measures mostly notes and coins in circulation, rose a seasonally-adjusted 0.7 per cent in June to take its annual growth rate to 5.9 per cent. M0 remains outside its official 1 to 5 per cent target range but independent analysts believe it will soon come back within the range.

SE takes discipline action against firm

By Richard Waters

SMITH New Conrt, the securities firm, has heen charged with failing to comply with good Stock Exchange practice over its handling of a programme trade last December.

The charge, which does not allege any breach of specific dealing rules, relates to the time it took the firm to notify the exchange about the transaction_ A programme trade consists

of a firm taking oo a complete portfolio of shares from a cli-ent at a predetermined price and then selling the shares through the market.

Because of the mechanics of such deals, the exchange gives firms more than the normal three minutes to report the transaction (this was reduced from five minutes in March).

That is because of the time needed to calculate the price of each individual stock and the discount or premium the firm has charged for doing the

exchange tells firms in such situations to notify it with all due expediency," and to report immediately when they have calculated the price of each stock.
However, it does not lay

down a specific time limit. It is thought that Smith's alleged delay was a matter of minntes, but the firm would not comment yesterday for fear of prejudicing its case.

The case has aroused disquiet among other securities

Had they known sbout the programme trade earlier, it would have given them more time to adjust their own holdings of stock to take advantage

of Smith's position.
Ironically, it was to protect securities firms from this type of action from competitors that the exchange relaxed its trade publication rules in March.

Since then, trades of over £100,000 have not been published to the market on the day they happen, although they must still be reported to the exchange.
The exchange said that it

does not comment on disciplin-ary actions while they are in ogress. The case is expected to be

heard by the exchange's professional standards committee in the next few weeks. If found to be in breach, Smith could face anything from a repri-mand to an unlimited fine.

Ministers press water chiefs on charge rates

By Richard Evans

THE GOVERNMENT was THE GOVERNMENT was seeking to force an agreement with water industry leaders last night on the scale of charges to be imposed after privatisation, but the industry remains unhappy with details of the formulae that are expected to be announced tomor-

The announcement hy Mi The announcement hy Mr
Chris Patten, the new Environment Secretary, and Mr Michael Howard, water minister.
together with the chairmen of
the 10 water anthorities in
England and Wales, is also
expected to confirm a substantial write-off of the industry's
£5.5hn debt.

The charging formulae,
taken with the debt write-off
and a possible injection of capital in the form of a "green
dowry" to help clean up the
environment, will be sold by
ministers as a package that
will make the anthorities an

will make the anthorities an attractive investment on flota-

tion in November.
There could still be last-minute hitches, however, as the leaders of some anthorities regard the charging proposals as inadequate to meet the heavy capital expenditure programmes necessary over the

next few years.

Ministers are determined to keep charges as low as possible after privatisation for political reasons and have been pressing for a formula of the retail price index plus 3 to 5 per cent. This is believed to been pressing for a formula of the retail price index plus 3 to 5 per cent. This is believed to have been increased margin-ally in some negotiations yes-terday, however.

The industry has been fight-ing for a K factor – the addi-tional amount above inflation nonal amount above inflation
of from 5 to 10 per cent to
pay for the expenditure programmes necessary to pay for
higher government and European Commission quality standayle

It objects strongly to the government plan that charges should be kept relatively low and additional spending costs met through passing on the costs. This will allow companles to charge extra for costs that cannot yet be estimated accurately, but it will mean much heavier borrowing by the privatised authorities. The chairmen of the nine

English regional anthorities met Mr Howard at the Environment Department, while Mr John Elfed Jones, chair-man of Welsh Water, met Mr Wyn Roberts, minister of state, at the Welsh Office.

Ministry names areas of nitrate fertiliser control, Page 24

An extra digit to ring the changes

Hugo Dixon on possible remedies for a telephone number shortage

DESIRE to enable the UK telecommunica-tions markets to keep on generating new ideas is the driving force behind the recommendation made yesterday that the country should add an extra digit to its phone numbers in the early 1998.

A consultative document prepared for the Office of Telecommunications, the industry watchdog, makes clear the connection between Britain's

nection between Britain's capacity to generate new phone services and competi-tion on the one hand and the growing shortage of phone

The numbers famine is so serious in London that an extra digit will be added to the capital's phone numbers next year. Oftel's consultants, Ovum, recommend that the rest of the country should have

an extra digit by 1992-1995.

New services — especially mobile communications and phone-based information services - have consumed most of Britain's spare numbers in recent years. Oftel is anxious that there should be no artifi-cial barrier to yet more services flowering.
The watchdog is also con-

cerned that the present system stifles development of local competition to British Telecom. Anybody wishing to switch to Mercury Communica-tions, the cable television operators or any other operators that the Government may decide to license in coming years, must also change his or her phone number. Ovum's research shows that this is a severe deterrent.

Ovum's consultative document sets out various options for reforming the system ao that enough new numbers can be created to take care of both current demand and foresee able demand well into the next century. It then assesses which option is likely to produce the ast disruption.

least disruption.

Broadly speaking, there are two ways of dealing with shortage. The first is to add an extra digit to existing numbers. This

OPTIONS FOR REFORMING UK PHONE NUMBERING SYSTEM 2. Will people be able to keep phone numbers if they move?

1. Will there be extra digit? Yes, before present code Only within local exchange. Yes, before present codeYes, anywhere within the main public

Yes, before present codeOnly within same region. Yes, before local number Only within local exchange. NoYes, fully portable.

has the effect of increasing the supply of numbers tenfold.

The second solution is to get to emerge. It would also have supply of numbers tenfold.

The second solution is to get rid of the wastage in the current system. Most of today's numbers consist of an "0" followed by nine digits. For example, a Birmingham number starts with "0-21" followed by seven digits.

Seven digits.

Such a mine-digit system should theoretically generate a supply of 10° or one billion numbers. In fact, the UK uses only 30m numbers, implying that over 900m numbers are being wasted.

There is such large wastage because of the way the num-bering system is used to route bering system is used to route calls around the country. The first two or three digits follow-ing the "0" identify which main exchange to send a call to: the next two or three iden-tify the local exchange.

Not every local exchange serves the same number of customers, with the result that some parts of the country are starved of numbers while oth-ers have more than they could

ever possibly use.

One of Ovum's options —
option "E" in the accompanying chart — involves redistributing these unused numbers.

this has the problem that peo-ple would have to change their numbers if they moved.

Adding the digit before the Adding the digit before the code but allowing people to keep the same number if they move to another part of the country — option "B". This solution is good at encouraging tha development of competition. But, because local codes would cease to have any meaning, it has many of the drawbacks associated with option "E" and is therefore rejected. to emerge. It would also have the advantage that nobody would have to change number. Ovum, however, does not favour option "E" because local codes such as the "021"

local codes auch as the "021" for Birmingham would cease to have any meaning. As a result, people would have to dial all nine digits even if they were making a local call, adding considerably to the amount of time people waste pushing buttons. Furthermore, people would no longer be able to tell from the code what the cost of making a call was, and they e Option "C" is a compromise between options "A" and "B". People would be able to keep making a call was, and they would find it more difficult to the same number if they moved to another place within the same city or area but not if they went to the other and of would find it more difficult to remember phone numbers.

Ovum's preferred solution therefore involves adding an extra digit. There are four ways of doing this.

Adding the digit after the code but before the local number — outlon "D" The draw-

ovum balieves this is the best solution. It would allow best solution. It would allow sufficient competition to develop, while at the same time preserving local codes and so avoiding the drawbacks of options "B" and "E".

However, it will only be pos-

sible to proceed with option
"C" when BT's network is fully
modernised with digital
exchanges, which may not happen before the end of the century. Ownm therefore recommends that option "A" is chosen as an interim solution, with the eventual sim of mig-rating towards option "C" after

the year 2000.

Numbering for telephony scruices into the 21st century.

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reatest benefits and cause the PHONE LINES a) business b) residential

Salmonella attack traced to cold meats

By Lisa Wood

COLD COOKED meats are suspected of causing the out-breaks of salmonella food poisoning which have affected nearly 400 people in north-east England, Cheshire and north Scientists are still investiga-

ting the types of salmonella involved but the Department of Health said yesterday that there was no evidence yet to link the outbreaks in the north east with those in Wales and

In north Wales and Cheshire a total of 316 cases have been confirmed and 51 cases are sus-pected, an increase of 50 con-firmed cases since Sunday. One person's death from salmonella poisoning has been confirmed with two other deaths to be confirmed.

The outbreak in the area has been traced to cooked meats prepared by Joss Williams & Sons and distributed by them and another Flint company, Ascot Cooked Meats.

In County Durham 16 cases were confirmed yesterday, bringing the total to 80. All the victims attended one of three functions in the Consett area which were supplied by Thackeray's meat shop in Consett. The shop closed voluntarily last Saturday.

ber — option "D". The draw-back with this approach is that people switching from BT to another operator would still need to change numbers and it

is therefore rejected.

• Adding the digit before the

code but otherwise sticking

with the present system - option "A". Like option "D"

GROWTH OF UK PHONE MARKET

The Department of Health west was caused by salmonella typhimurium phage type 12 but the phage type in the north east was not yet known.

TV deal with BT will boost Sky audience MR Rupert Murdoch's Sky Television has received a boost through a deal with BT Vision.

the cable and satellite division of British Telecom, giving Sky

access to BT cable homes.

The deal means that all four Sky Television channels will be available in almost 60,000 additional homes on BT cable.
BT operates broadband networks in Swindon, Aberdeen,

er and Coventry and systems with less capacity in Bracknell, Berks, Milton Keynes, Berks, and Washing ton, Tyne and Wear.

Bristol outlines £1bn redevelopment

By Hazel Duffy

BRISTOL Development Corporation yesterday launched outline plans for the fibn redevelopment of part of the inner city.

The corporation - the last of the Government's urban development corporations to be set up - wants to make a fea-ture of the river Avon, and the railway station designed and built by Brunel in the

Unsightly mnd banks on the Avon at low tide would be eradicated by a proposed weir, costed at £8m £10m. This would need to be met by Government, as would a proposed £35m road to improve access to the area. The Government had indicated initially that it would make £15m available to the

corporation over five years. With these improvements, it has been estimated by consultants that up to £900m private sector investment in develop-ments could follow. This would bring about 12,000 jobs to the

The plans have been produced with the help of several consultant specialists in eco-nomic, social and transport matters.

matters.
The proposals include two mixed developments, covering social and private housing, business and industrial units in the St Anne's area, and redevelopment of the heatens with velopment of the harbour with hotel, conference and leisure facilities, as well as a minivillage. A small science park in the St Philip's area is proposed.

By David Barchard

The launch was attended by Mr David Hunt, the new Environment Minister responsible for inner cities, and Mr William Waldegrave. Foreign Office Minister and a Bristol MP. Some councillors also attended, although the city council petitioned parliament, unsuccessfully, against the cor-poration being set up.

Considerable care to empha-

sise the social benefits of the plans is being taken by the board of the corporation. The outline proposals will be the subject of public consultation.

The corporation has put pro-posals to British Rail, one of the biggest landowners in the area, which it believes would greatly improve the appearance of the area.

IRA bomb wrecks court

By our Belfast Correspondent

A LARGE IRA van homh exploded outside Belfast High Court yesterday as security forces prepared for an upsurge in terrorist activity to mark the 20th anniversary of the arrival of British troops in the

The IRA intends intensifying its campaign this month to ensure that the issue of the army's presence in Northern Ireland attracts international attention

British security forces in Europe are on full alert in an effort to thwart possible attacks on bases. Yesterday's blast extensively

damaged the court building and caused devastation over a wide area, but no one was seriously injured. The IRA said the attack dem-

onstrated its ability to strike in Belfast city centre in spite of a claim by the Royal Ulster Con-stabulary that it had prevented

a terrorist bomb blitz. Mr John Cope, Northern Ireland's Law and Order Minister, promised an inquiry on how security at such a heavily guarded huilding was

This month also sees the anniversary of internment or detention without trial.

Harland employees accept post-privatisation terms

By Our Belfast Correspondent

ALMOST ALL the employees offered jobs after privatisation at Harland and Wolff, the Belfast shipbuilder, have accepted the new terms and conditions of the company.

The 2,400 workers offered contracts three weeks ago had until yesterday to sign, and 2,340 complied with union requests to accept the terms. Many workers felt they had to accept the deal or face unemployment. The enhanced

redundancy scheme which applied when Harland was publicly owned has been scrapped.
While nearly all the employ-

the yard, it remains unclear how many will agree to buy shares in the company. An important part of the staff buyout, which is being backed by Mr Fred Olsen, the Norwegian shipowner, was the need for a substantial number of employees to invest in shares.

It is understood that the company will be writing to 60 employees who have yet to return the contracts on the basis that they may have been on holiday.

About 300 people were told



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SEI 9HL **FINANCIAL TIMES**

THE TIME BOMB Time bombs use the computer clock to activate an illicit program. One of the most famous was the PLO virus; set to go off on the 40th anniversary

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Mortgage body established

A REPRESENTATIVE body for companies operating throughout the UK mortgage industry

Insurers, the Association of Mortgage Lenders, and the Finance Houses Association is established today, assuming much of the role previously performed by the Building Societies Association.

The new hody, which will be known as the Council of Mort-gage Lenders, has been estab-lished by mortgage lenders ranging from building societies to mortgage companies and

foreign banks.
Four previously unconnected trade associations — the Building Societies Association, the Association of British

have combined to set up the None of Britain'a large clear ing banks has yet agreed to join the association, but Ms Tricia McLaughlin of the CML

said yesterday she hoped some banks would join shortly. The CML will lobby govern-ment and the press on behalf of the industry and will also collect statistical information about the mortgage market, comparable to that already pro-vided by the BSA.

OBITUARY

John Lister: Shipbuilders' chairman British Shipbuilders' workforce

MR JOHN LISTER, chairman of British Shipbuilders since May 1987, died yesterday aged

Mr Lister, a chemistry grad-uate, rose through the ranks of Imperial Chemical Industries to become chairman of its He was a leading member of several national and interna-

When appointed by Mr Paul Channon, then the industry

tional textile committees and was made a CBE for his work

in the fibres and textile indus-

Secretary, to the post of chair-man of the state-owned ship-huilding concern, Mr Lister was given the hrief of trying to make its commercial shipbuild-

ing operations profitable. British Shipbuilders' warship yards, Swan Hunter, Vickers and Yarrows had been pri-

vatised a year earlier. However, government policy soon dictated that Mr Lister would steer tha group towards privatising or closing British Shipbuilders' merchant ship-building yards. This task has been virtually completed and

British Shipbuilders' workforce is now just a few hundred compared with 49,000 in 1984.

During Mr Lister's period at British Shipbuilders, Govan on the upper Clyde, Appledore in Devon and the Clark Kincaid marine engine plant at Greenock, Strathclyde, have all been sold. Two yards remain, North East Shipbuilders in Sunderland, for which there have been a number of offers, and been a number of offers, and Ferguson Shipbuilders at Port Glasgow on the lower Chyde. Mr Lister leaves a wife, Catherine, and five children.

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or shortage



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in engineering. Engineering with only one aim: making the passion for driving more cultivated than ever.

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Enormous power reserves and a very reasonable fuel consumption. Highly sophisticated engineering which is virtually maintenance-free. Superb smoothness of running and breathtaking driving performance. The immense safety potential of the BMW 750i/iL is another perfectly convincing argument.

It was achieved by using the most advanced engineering methods to

develop a body structure which, in the event of a collision, absorbs impact the most cogent examples of this. This car embodies the latest state of the art I energies at all safety-relevant points. Ample deformation zones at the

> front end and an extremely rigid passenger compartment provide highly efficient protection in a crash.

Environmental protection is just another field where the BMW 750i/iL proves its exemplary role. Its lambda-controlled three-way catalytic converter easily meets any emission

BMW 12-cylinder engine: 4988 cc, 220 kW/300 bhp, Digital Electronic Engine-Management, lambda-controlled three-way catalytic converter. limit worldwide. And it is almost noiseless in all speed ranges - another contribution to environmental preservation. It is, in fact, one of the most silent automobiles in the world.

> Conclusion: The BMW 750i/iL has everything 'needed for automobile leadership. Persuasive power in every engineering aspect.



The nuances that can trap the unwary

Charles Batchelor concludes his series by underlining the importance of adequate preparation

British company which made hair dry-ers was just about to ship a container-load to the US when the managing director decided to check with his local chamber of commerce that there would be no difficul-

In the space of e short telephone conversation it emerged that the company had made no attempt to conform to American rules for electrical product labelling; was not aware American electrical voltage was dif-ferent from that in the UK; and had not taken out any insur-ance to cover the risk of a customer accidentally electrocuting herself. Just in time the shipment was stopped.

Another small British exporter did succeed in breaking into the US market, shipping its product in concen-trated form to a US distributor which then hottled and labelled it for sale. When the British exporter subsequently fell out with its distributor the US company claimed rights to the trade mark which it said it had established in the US.

The British company only

trade mark after a two-year legal hattle which cost it \$175,000. The distribution agreement had been vaguely worded while the labels on the bottles did not explicitly state that the trade mark belonged to the British manufacturer.

"It was a glorious mess-up," says Iain Baillie of Ladas & Parry, an American law firm, the London office of which acted for the British company. "It would only have cost \$5,000 to \$10,000 to get trade mark protection and arrange a decent contract."

Yet these two companies are not alone in having failed to prepare themselves adequately to break into the US market. Many husinessmen spend large amounts on travelling round the US hut fail to research the market properly hefore step-

ping onto an aircraft.

Apart from the issues dealt with in the first two articles in this series, a whole range of details needs to be resolved by the husinessman keen to sell in

Top of the list of enquirles which come into the US Emhassy in London concern the type of visa which is required for doing business in the US. American visas come in several versions and exporters who attempt to do business using only a tourist visa may run into difficulties. Applying for a visa should be a straight-

forward process but some com-

panies use a US attorney spe-cialising in this field. Once the exporter is in the US he will find himself in an environment which is superficially similar to his domestic market hut which actually dif-fers quite substantially. "You must accept that the US is a foreign country," says Tony Perry, an Englishman and long-term US resident who is opening a centre providing office and warehouse space for



Breaking into the US

European companies in Philadelphia. "The French know the US is a foreign country. The British sometimes forget." One important cultural difference is the directness with which Americans do husiness. The British will say 'Yes,

hut...it is too early, too late or too difficult to do something whereas an American will give you a straightforward 'No'," says Rod Beddows, who runs a strategy consultancy based in London and Pittsburgh. Being British will often give you five minutes of a potential

customer's time which he would not be prepared to give to a fellow American, says Beddows. Use this time to get straight down to husiness, he urges, adding that British exporters are often too diffi-dent to make use of the oppor-

tunity they are given.
The similarities of language can also sometimes trap the unwary. One British export adviser spent a lot of time researching a query about "redundant" generators from an American client. The American was puzzled that his request resulted in his being offered only second-hand generators rather than "stand-by" equipment, which is what he

British exporters must not only take account of differ-ences in the spoken word. They must also consider how they present themselves on the printed page. Airedale Interna-tional, a British manufacturer of air conditioning systems, first went into the US with a hrochure containing a mass of technical diagrams. For ease of

use the A4 sized brocbures had four punched holes for filing. Not only were the diagrams unintellible to all but the expert eye, they failed to say what the equipment could do. Airedale had also not realised that the hrochure was too large to fit into the average Ameri-can filing system which uses three holes.

Apparently inconsequential details of this kind can mean

the difference between a potential customer filing your prom-otional material and throwing it in the bin, says David Burmi-kell, head of the Department of Trade and Industry's North American Export Branch. Airedale hrochures now explain the advantages of its air conditioners and are in a format which

will fit a US filing system. Exporters should also take care that their brochures are not worded in a way which exposes them to the risk of a law suit. Claims that a product "unconditionally guaranteed" may sound impressive but could be an invitation to an aggrieved customer. In the more litigious American envi-ronment British companies should be very careful of the claims they make.

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ched homes from only

"Engage a lawyer at an early stage to keep you out of tron-hle," advises Burnikell. "Don't



liability insurence in the US for his miniature crowns

wait until yon are in it." Crowns & Regalia, a Lon-don-based company which makes miniature replicas of the crown jewels, has begun putting a disclaimer with the products which it ships to the US stating that "This is not a toy and is not suitable for chil-dren." "Someone may still have a go at us hut we thought it was too silly not to do it," says Nicolous Findelsen, managing director of the company which has sales of £250,000 and

four full-time workers. Findeisen includes product liability cover in his husiness insurance policies though some small companies simply drop potentially risky products from their range rather than pay the high premiums involved or run

the risk of a claim.

American lawyers may be expensive but advice on matters such as product liability can also be obtained from government advice centres in the UK, embassies and from industry associations. If a British company does

use a US lawyer it should ask in advance what the fees will he, says Rod Beddows. The lawyer may be prepared to reduce his rates if you haggle or may recommend a more junior member of his firm who will do the job more cheaply. The problem is not only that legal advice is expensive, it is necessary in a far wider range of situations than is the case in

"In our business clients want written confidentiality agree-ments compared with Europe where confidentiality is assumed," notes Beddows.

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American lawyers are also likely to clock up more hours researching legal precedent and may have to take into account both federal and state

vices exporters are urged to keep things simple. Findelsen,

eign exchange movements on the prices they are quoted. "Americans are not accus-"Americans are not accustomed to violent price fluctuations," says Christopher Loose, managing director of WMS (International). a Taunton, Somerset-based supplier of teas, preserves and sheepskin clothing, "Maintaining consistent prices has been a major problem for us."

The aim of all this activity is to remove the barriers which

to remove the barriers which might otherwise make the US huyer choose a local supplier rather than one based 3,000 or

service as the customer would get from a domestic supplier," says Loose, "This means quot-ing prices in dollars and arranging delivery to his premises. You must not let him feel he is importing. Previous articles in this series appeared on July 18 and 25.

laws, says Iain Baillie. When it comes to pricing their own products and ser

himself American, found that American customers, unused to dealing in any currency hut the dollar, read the sterling prices in his hrochures as dol-lar prices and sent off cheques for the dollar amounts. He now has a separate dollar price list. American purchasers used to huying from other American suppliers are also unlikely to understand the impact of for-

more miles away.
"You have to give as good a

ne hundred small firms and executives from eight large companies in the Antwerp region of Belgium are taking part in a pilot project aimed at transferring professional skills to the smaller husinesses and boost small business owners said they had extend greatar

The issues into which the small business owners said they had gained greater insights included:

The difficulty of delegating responsibility and the need to expand the management structure of their businesses.

The need to think more long term and to carry out a serious smaller husinesses and boosting the local economy.

The two year project, known as Plato 100, is believed to be the only one of its kind in the European Community. It comprises evening seminars to discuss specific business problems while the big company executives are also available for up to four hours a week to give individual halp to their adopted small firm.

The intention is to allow the big and small business commu-

big and small business communities to exchange experiences and to encourage the informal networks of contacts which are important to the growth of smaller firms.

The small business owners,

The small business owners, all with husinesses in the Turnhout district of Antwerp Province, said they had gained in confidence from the experience, according to a review* of progress hy Rik Donckels, head of the study centre for small

Confidence boosting exercise

term and to carry out a serious analysis of their husiness's strengths and weaknesses.

The use of accepted formal business indicators in manag-

ing their business.

The need to concentrate on increasing turnover and profitability and improving their awareness of costs and quality. The importance of paying close attention to the markets in which they operate and to their company's position in the market.

The project not only contrib-nted to the increased profes-sionalism of the small husiness owners, it also made its mark on the executives from large

Charles Batchelor reports on an exchange of big/small company expertise in the Antwerp region of Belgium businesses. Many said that the project had led to a broadening of their own horizons and an introduction to a world which

was almost completely unknown in them previously.
The progress of Plato 100 will be followed with particular interest in Belgium where a number of studies have shown that most small have shown that most small husinesses

that most small husinesses have no ambitions to grow. A survey carried out by Donckels three years ago showed that many small husinesses were family-owned, had heen financed with family money and wanted to stay that way.

The European Social Fund, which is financing Plato 100, is so pleased with the results at the half-way stage that it is to launch in October a second project, called Plato 200, involving 200 small companies. Ultimately the idea of hringing small and large company mansmall and large company man-agers together may be extended throughout the Euro-

pean Community.

*Plato 100 · An Evaluation.

Study Centre for Small and
Medium-Sized Businesses,
UFSAL, Vrijheidslaan 11,
B-1080 Brussels.

In brief. . .

■ Profit In Store, an exhibition which acts as an export showcase for small businesses prod-ucing consumer goods, (this page December 13 1988) will be held on November 7 at The Art Gallery, The Commonwealth Institute, Kensington High Street, London.

Sixty stand places are avail-able for small husinesses at £80 each. The exhibition will be attended by London-based huy-ers representing department stores around the world.

Contact London Enterprise Agency, 4 Snow Hill, London ECIA 2BS. Tel 01-236 3000. Applications close September 1. Southern England continues

to be a more fruitful breeding ground for entrepreneurs than the rest of the United King-dom, according to the regional hreakdown of VAT registration statistics provided by the Department of Employment. Net registrations of new

businesses - new registrations minus de-registrations — increased by 23.9 per cent in the south-east of England between 1980 and 1987 com-

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pared with rises of just 8.2 per cent in the north-west and 11.6 per cent in Yorkshire and Humberside.

East Anglia and the south-west also recorded fast rates of growth - of 19.3 and 18.2 per cent respectively.

A comprehensive directory of the products and services which are available from Shef-field-based companies has been produced to hoost the local conomy and create new jobs. The 1989 Sheffield Products

and Services Directory contains information on 4,200 companies. One aim is to make the search for specialised products less time-consuming.

Available from ETIC, 38 Victoria Street, Sheffield S3 TQB.

■ More help will be available for visually handicapped people who want to set up in business following agreement on £160,000 worth of new sponsorship for the Royal National Institute for the Blind (RNIB) Small Business Unit.

The unit has obtained £80,000 of new funds for the next two years from Barclays Bank Community Enterprise

Unit. The RNIB will match this amount. Only 27 per cent of working age peopla with a visual handicap are employed compared with 69 per cent of the population as a whole.
Contact RNIB, 224 Great
Portland Street, London WIN
6AA, Tel 01-388 1266.

Young managers will be given the opportunity to help develop the small husiness sec-tor while at the same time furthering their own careers

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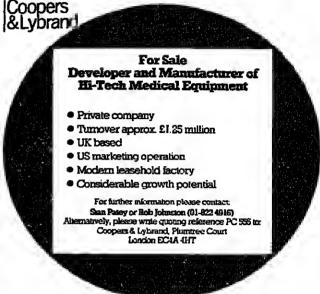
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TECHNOLOGY

Atlantic record thrusts water jet into the limelight

Nick Garnett reports on a propulsion system that suits power boats and pleasure boats

hat is the most striking piece of propulsion technology shared by Gentry Eagle, which last week hroke the record for the Atlan-tic crossing, and the Aga Khan's streamlined 350-tonne vacht Shergar?

They are both powered by a little known but increasingly important piece of equipment

the water jet. In use since the 1930s, the water jet has started to make its mark against conventional propellers through improved efficiency and the growing use of the type of vessel to which it

in this category are not only hoats designed to hreak records, such as Gentry Eagle and last year's failed Atlantic challenger, the Italian boat Azimut, but patrol boats, fer-ries and pleasure boats. Its use to propel warships is also

under study.

The water jet involves an inlet channel under the boat. Water is fed into a pump which forces it out of the stern through a jet nozzle. Steering is done by swivelling the noz-zle through a 60 deg arc.

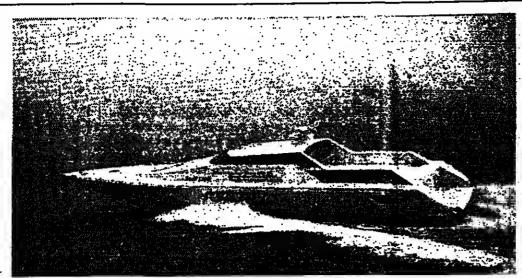
A structure rather like a bucket can be raised to reverse the direction of the jet of water, driving it back down under the vessel. This provides reverse thrust.

Power for the pump comes from a conventional motor, such as a diesel engine. Shergar operates with the equiva-lent of more than 17,000 horsepower, using a ceotral stern jet and two side jets to improve manoeuvrahility.

Next year, Atlantic Sprinter, a new British challenge led by the land-speed record hreaker Richard Noble, promises to have the largest power plant so far for a water jet-propelled craft. It will use a 25,000 hp Rolls-Royce RB211 gas turbine similar to that fitted to large

in the 1970s, the main suppliers of water jets were from the US, including Jacuzzi and Rocketdyne. Now the market is controlled by Hamilton, of New Zealand, and a number of European companies such as KaMeWa, of Sweden, and Riva Calzone, of Italy.

Hamilton is the world's hig-gest producer of small water jets, up to ahout 600 hp. At the



The water jet-propelled Gentry Eagla, which completed the 3,386-mile Atlantic crossing in 62 hr 7 min, beating Richard Branson'e record by 18 hr 23 min

other end of the scale, KaMeWa, a subsidiary of the British groop, Vickera, bas made units up to 18,000 hp. Based in the sleepy township of Kristinehamn, KaMeWa has supplied some 340 water jets above 1,000 hp over the past seven years.
Recent technological

changes have increased the water jet's advantages over the sbaft and propeller, and reduced its we

A main benefit of the water jet is that it caters for vessels that need shallow draught the stern outflow mechanism does not bang low in the water. Others include rapid acceleration, good fuel econ-omy (though only above 20 knots), low noise and vibration levels and excellent manoeu-

The downside includes quite high engineering and installa-tion costs. Olle Bysted, at KaMeWa, says thet in a propulsion package of around 4,500 hp, costing about \$1m, the water jet (including pump) will account for as much as a third, the rest being the engine and transmission.

It is also vulnerable to debris scooped up through the inlet channels. This problem has been tackled by installing grilles and altering the shape of the inlets. That this is not a complete solution was under-lined by Gentry Eagle, in which US property developer Tom Gentry completed his record-breaking voyage last Thursday. The crossing would have heen 50 minutes faster but for a stoppage caused by debris, including a plastic bin

lid, blocking the inlets. Design changes over the past few years have tackled the principal problem associated with propellers: "cavitation", the production of unwanted hubbles by pressure changes, which can cause vibrating shock wavea and damage to

Water jet snppliers hava invested heavily to reduce cav-itation, partly through altering the design of inlet shapes and angles so that as little as possi-hle of the water velocity is lost on its way to the pump.

The market for water jets above 1,000 hp remains a niche one of about \$16m a year. It is growing, however, and will be thrust forward if the demand for high performance, silent warships provides a new appli

which is extracted from chrysanthemum petals. Another is chitin, made from shelifish, which kills nematodes by encouraging the growth of enzymes that are toxic to these worms.

But the agents that particularly interest Hesse are microbes that attack a particular pest. A natural one is Bacillus thuringiensis, which kills caterpil-lars. These organisms can give the product persistence, remaining active

in soil for months and even years. Several US blotechnology research companies have genetically modified bacteria or viruses to attack a particu-lar pest. Hesse believes that his com-pany can provide a wide market for such microbes by developing patentable

Methane can be a airl's best friend MARILYN Monroe may well

have approved of an industrial process which turns methane gas into diamond. Following a joint Following a joint development and manufacturing agreement between GE Superabrasives, of the US, and Asahi Dismon Industrial dismond, made from methane, will be available within the year.

The diamond is produced by a method called chemical vapour deposition, in which the methane is mixed with hydrogen and passed over a tungsten filament of high temperatures. The diamo is deposited on a substrate in the form of a film.

Because the diamond produced as a sheet traditional high-pressure processes make diamond granules — the material can be used for a wider range of applications. These include thin films for semiconductors, as well as the more traditional uses in machine tools or medical instrument

A fresh recipe for ozone

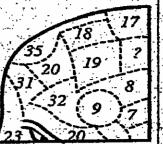
AS THE scares about food salety continue, one company for using a traditional steriliser - ozone - to keep food fresh.

Ozone has been used for decades as a way of sterilising water, but Tri-Ox, of Swindon In the UK, has developed a way of using the gas to sterilise the air in

retrigerated vehicles.
As a natural steriliser ozone can kill fungi and bacteria, including listeria and salmonella, without affecting the food. Ozone als removes pungent smells, such as that of rotten eggs

or fish, by oxidising them. Past difficulties in using ozone for air sterilisation have centred on how to control strictly the amount of eas used. Tri-Ox has achieved this with an electronic device which converts the atmospheric

oxygen (oxygan accounts for 20 per cent of air) into ozone. As the air in the container is sucked into the ozone enerator, the device gives out a controlled electric charga, which produces the ozone. The equipment is manufactured for Tri-Ox by the Dutch electronics David Fishlock | conglomerate Philips.



WORTH WATCHING

Edited by **Della Bradshaw**

No rape of the roots

RAPE seed oil, more familia as a component of vinalgratio than of industrial lubricants, is making its contribution to Europe's green revolution. It has been developed as a hibridge for chain saws

by the West German power Because rape seed oil is not water soluble, it does not enter the water table and te tree roots as many chemical olis do. instead it remains in the

upper layers of soli until biodegraded by minute animal life. Stibl claims that 93.8 per cent of the oil decomposes within 21 days. In addition, the company believes that the rape se cocktail reduces oil loss because it sticks well to the machine (when the chair

whizzes round the guide bar a proportion of the lubricant is flung to the ground). However, the biodegradable oil has its price — It is an expensive alternative to its polluting counterparts.

Desk-top glasnost

ONE OF the more obvious manifestations of glasnost in the Soviet Union has been the boom in publishing. Poised to take advantage of this is the UK office automation company Rank Xerox, which has translated its Vantura desk-top publishing (DTP) software package into Russian, working with the Soviet Progress Publishers, The packaga has Cyrillic ionts and hyphenation both for the the instructions on screen. The UK company believes

that the first customers for tis sultware will be publis companies, although businesses wanting to introduce DTP — for printing brochures or docume — will soon follow,

The package runs on any IBM or compatible parsonal compiler, although managing to buy one of those in the Soviet Union is likely to be more difficult than buying the DTR company. DTP software.

Shop assistance by computer

EXTRACTING information from shop assistants in department stores can be a frustrating experience. But help is at hand as electronic point-of-eale (Pos) terminale with full-size acreems, replac the traditional cash register. The tashion for full-size.

computer screens has alread hit the US, where customers can fill in order forms or arrange delivery of liens through the cash deak. The acreen is attached to the store's main computer syste and to other departments, such as deliveries.

.. In Europe. Nordort. of West Germany, has announced plans for terminals with full-size screens as part of its Pos 2000 range. The ny cialms that these are the most compact highperformance checkout terminals avallable.

New frame for Old Master

THAT OLD Master you always wanted on your wall could appear to be yours with a television based on liquid crystal display technology. demonstrating fiat-screen televisions, which are one inch thick and hang on the wall. The next move is to incorporate electronic frame stores in the sets, so that a picture broadcast overnight a reproduction of, say, a Picasso or a Rembran could be stored and displayed on the screen during the day. The UK's IBA believes the boom in satelitte broadcast will herald the take-off of

these services in the next lew Worth watching?

CONTACTS: GE Superabrasives: US, 814 436 2000, Tri-Dic UK, 0798 513470, Stini: W Germany, 7, 351 280. Rank Xerox, UK; 0828 890000, Nixdor! Computer: W Germany, 5 251 305, IBA; London, 584 7011.

Soapy water smoothes way for genetically engineered pesticides

US company which believes it can expedite the transfer of genetic engineering into commercial and domestic pesticides and other plant protection products has

begun to sell its wares in Europe. Safer Inc. of Newton, Massachusetts, was founded to sell a biodegradable pesticide already known to every gardener who has drenched plants with soapy water. Combined with certain modified microbes, the company's technology gives a broad-spectrum pesticide that should also satisfy ecologists, says the chairman Jack Hesse.

Hesse is a US venture capitalist with a penchant for plant science and biotechnology. His company, Plant Resources Venture Funds, owns a con-trolling 40 per cent of Safer. Hesse believes Safer's approach to pesticides

to be in tune with popular demand for more specific, less persistent plant pro-

Safer was launched in 1979 by two Canadian forestry scientists, who aimed to refine soapy water into a pest-killing formula based on fatty acids. Some of these acids are lethal to pests because they quickly corrode and rupture living cell membranes, allowing the contents to leak. Different membranes — insect

cuticle or leaf surface, for instance – are sensitive to specific fatty acids.

The beauty of this pesticide family, says Hesse, is that it is biodegradable and non-toxic. Safer is marketing more than 30 formulae for purposes ranging from from ridding house plants of aphids to purging dogs of fleas. In 1983, Hesse moved Safer to New-

ton, Massachusetts, close to research

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0°50 8 companies exploring genetic engineering. Hesse became chairman, with George S. Puritch, a founder, as his

research director. Puritch had developed a basic formula comprising a 49 per cent solution of the potassium salts of various fatty acids in a solution of alcohol and water. This provides a concentrata readily diluted by the farmer or gardener, which leaves no persistent residues in

the soil. The ingredients biodegrade within 48 hours.

By combining it with other pesticides, Safer says that the product can offer broad-spectrum activity with spec-ificity for a particular pest. Soaps can be combined with many substances vithout loss of potency.

A favoured addition is pyrethrum, a

natural nerve poison for many insects,

FT LAW REPORTS

Unsafe premises conviction wrong

AUSTIN ROVER GROUP LTD V HM INSPECTOR OF FACTORIES

House of Lords (Lord Chancellor Lord Mackay of Clashfern, Lord Bridge of Harwich, Lord Brandon of Oak-brook, Lord Goff of Chieveley and Lord Jauncey of Tullichettle): July 27 1989

A PERSON who has a degree of control of non-domestic premises and who makes them available to a non-employee as a place to work in, has a duty at the time of that use to ensure they are safe for the purpose for which they are made available; but he has no duty to take precantious against dangers not reasonably foreseeable by someone with his degree of control, arising out of misuse of prem-

ises or plant contrary to agree-The House of Lords so held when dismissing an appeal by a factory inspector from a Divisional Court decision quashing Austin Rover Group Ltd'a con-viction for alleged contraven-tion of the health and safety

LORD JAUNCEY said that in its Cowley works Austin Rover had a number of paint booths, including No 2 sealer booth.

The floor sloped down towards downpipes which led into a sump beneath. Excess pain and solvents found their

way into the sump by way of the downpipe In the wall of the booth was

s projecting pipe which supplied thinners from a ring main for use during painting. On the pipe was a valve which controlled the flow of thinners. There was a valve on the outside of the booth which could shut off the flow.

The thinners were highly inflammabla. The hooth was equipped with a mechanical ventilation system. Space in the sump was restricted and it bad neither light nor an independent ventilation system.

The booth and sump were cleaned regularly by Westleyshire Industrial Services, normally at weekends when the plant was shut down and the ventilation system off

ventilation system off. On August 30 1986, one of Westleyshire's employess, Brian Eldridge, went into the sump to clean it, while a fellow employee was working in the booth above. A fire crupted in the sump, as a result of which Mr Eldridge died.

Austin Rover was prosecuted hy the factory inspector under section 4(2) of the Health and Safety at Work etc Act 1974.

The Act provided that a "person who has, to any extent, control of" non-domes tic premises and who made them available to non-employees to use as a place of work or as a place in which to use plant or substances, had a duty unsafe. "to take such measures as it is reasonable for a person in his position to take to ensure, so far as is reasonably practica-

ble," that the premises, plant or substance, were "safe and without risks to health." Under its cleaning contract with Austin Rover, Westleyshire provided its own cleaning thinners. Its employees were instructed (1) not to use Austin Rover's thinners from the projecting pipe; (2) not to enter the sump when other cleaning operations were taking place in the booth above; and (3) only to enter the sump with an

approved safety lamp.

After the accident it was discovered thet all those instructions had been disregarded. The justices convicted Austin Rover and fined it \$2,000. They found it was "in control" of the Cowley works. They concluded that it was under a duty to ensure that the thinners did not enter the sump, hy capping off the projecting pipe or clos-ing the valve ontside the

booth, and to ensure that there was sufficient ventilation. The Divisional Court allowed Austin Rover's appeal and quashed the conviction. It concluded that in the absence of any finding as to whether it was foreseeable by a person in Austin Rover's position that there would be interference with the projecting pipe, it was under no duty to take further precautions. The inspector now

Section 4 recognised that more than one person might have a degree of control of the premises at any one time, and so be under a duty. The words "to any extent" and "to take such measures as it is reasonable for a person in his posi-tion to take," pointed to pos-sible divided control.

The first question was what as to what was meant by "safe as to what was meant by "safe and without risks to health" in the context of the premises and auhatances to which section 4(2) referred. Safety of premises was not an abstract concept. It must be

related to the purposes for which the premises were being used at any one time. Some premises might be unsafe for any normal use. Others might be completely safe for the pur-pase for which thay wera designed, but completely unsafe for other purposes.

Regard must be had to the use to which the premises were being put at the relevant time. If it was reasonably foreseeable that such use involved risk to health, the premises were then

The second question was as to which factors might be taken into account in determining what measures it was reasonable for an accused to take to ensure safety.

Section 4 applied to anyone who was in occupation of nondomestic premises and who called in tradesmen to carry out repairs. It applied to those tradesmen in relation to the employees of others. And it applied to anyone who made the premises available on a temporary basis for others to carry out work.

The words "to any extent" and "to take such measures as it is reasonable for a person in his position to take" in section 4(2) required consideration of not only the extent to which he had control of the premises, but also of his knowledge and reasonable foresight at all material times.

Thus, when a person made premises available for use hy another, the reasonableness of the measures he needed to take to ensure their safety, must be determined in the light of his knowledge of their anticipated use, and the extent of his control and knowledge, if any, of the actual use.

If premises were not a reasonably foreseeable cause of danger to anyone acting in a way in which a buman being might be reasonably expected to act in circumstances which might reasonably be expected to occur during the work or use for which they were made available, it would not be reasonable to require the taking of furthar safety massures against unknown and unexpected events.

The quastion was not whether there were reasonable measures which could be taken to ensure safety and the absence of risk to health, but whether it was reasonable for a person in the accused's posi-tion to taka maasures with

The approach to a successful prosecution under section 4 was that the prosecutor must first prove that the premises ware uusafe and constituted risks to health. If he so proved then he must go on to prove which persons at that time had any degree of control of those premises. Then ha must prove that it would be reasonable for one or more of the persons having a degree of control to

take measures which would ensure safety.

If be proved those three matters, the onus shifted to the accused to prove that it was not reasonably practicable to take the measures in question. Prior to the outbreak of fire

in the sump, a number of events took place which should not have taken place if Wes-tleyshire or its servants had acted in accordance with the contract or instructions. In the first place the fellow employee drew off thinners into the drum from the project ing pipe. Second, he tipped thinners from time to time into the sump. Third, the deceased went in to the sump when the fellow employee was working

in the booth above. Fourth, he went into the sump with a lamp which was not an approved safety lamp.

The justices made no findings that any of those four events should have been fore-

seen by Austin Rover.
In the absence of any such findings it could not be said that it was reasonable for Austin Rover to have taken measures to make the premises safe against that unanticipated

The Divisional Court was correct. The appeal was dis-

LORD GOFF agreeing that the appeal should be dismissed, said that subject to the limited qualification "so far as is reasonably practicable," the duty to ensure that the relevant premises were safe for any use for which they were made available was *prima facie* abso-

In other words, the complainant had only to prove the defendant had failed to ensure (so far as he could reasonably do so, having regard to the extent of his control) that the relevant premises were safe and without risks to health. The onus then passed to the defendant to prove that it was not reasonably practicable for him to eliminate the relevant risk. It was at that stage that reasonable forseeability became relevant in the sense that there had to be an assess-ment of the likelihood of the incidence of risk.

Lord Mackay, Lord Bridge, Lord Brandon agreed with Lord Jauncey.

For the inspector: Nigel Pleming (Treasury Solicitor). For Austin Rover: Charles Harris QC (Henmans).

Rachel Davies Barrister

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David Rendall, Jeffrey Wells and Linda Ormiston

The Rake's Progress

GLYNDEBOURNE

The last production of the Glyndebourne season is Stra-vinsky's Raka's Progress in the famous, widely-travelled stag-ing by John Cox with sets and costumes by David Hockney. Any suspicion that the specia-cle may have become dated or fraved effort by years are many frayed after ten years or more may be quickly squashed. Cox has directed this revival himself, the sets have been repainted (yes, painted scenery, and how) and the artist himself was in attendance. The sponsors are English and American Group PLC (at the time this Rake was first seen, sponsorship was a glimmer in somebody's eye). On every count: musical dramatic and visual, the experience remains as stimulating as it was all those years ago.

Little, I think, has changed. Robert Bryan has enriched the colour-contrasts in his lighting: Tom Rakewell's London morning room, variously tinted, looks more dottily imposing than ever. The production's set-pleces – the entrance of Baba the Turk, her quarrel with Tom and the masterly.

auction scene, strika even more sharply than before. Only Bedlam failed to produce the expected chilling surprise. The lack of movement here under-lines a certain trailing away of vitality in the music — compared at least with what has gone before. The scene is too drawn-out for the end of an evening. Hockney's contribution, with his virtuoso use of Hogarthian cross-hatching car-ried through to textiles and costumes, remains brilliant. Only the drop-curtain palls,

because it is seen too often.

Since five members of the new cast, including the singer of the title-role, started their careers in the Glyndebourne chorus, it is pleasant to report that on Sunday that body was in outstandingly good form -tone and diction splendid, act-ing whole-hearted but under perfect control. David Rendall as Tom Rakewell gave a portrait of equal energy and charm, using his fine voice almost recklessly, projecting the Auden/Kallman text with the utmost relish. He sang the last scene in a husky-half-voice effective, though needing

sung, finely-played performance — a delight to the ears and all the other perceptive senses. Mr Hogwood, whom in the past I have sometimes found a somewhat bland Handelian shound himself wholly

delian, showed himself wholly

authoritative in appreciation of

all those musical strokes and

sleights-of-hand out of which

more body. Faithful Anne Trulove was an American new-comer to Glyndebourne with a growing reputation. Sylvia McNair is a lyric soprano with a voice of great supplemess and a voice of great supplemess and purity and a graceful appear-ance. Tom refers apologetically to Anne as a "milkmaid" but her demanding music doesn't suggest that at all. Miss McNair could risk still more brilliance at the conclusion of her bravura aria. The last act hillaby (not the simple little ditty it may seem) was exqui-sitely judged.

Another American new-comer, the bass Jeffrey Wells, sang Shadow. In the first act he held back, with gravelly voice and negative presence. After the interval there was a striking change. The voice took on colour and bite, the personality came across clearly. The two important character roles were exceptionally well taken. Anne Howells, who can put more inflections, verbal and physical, into a musical phrase than anyone else and keep them all to the point, was a delectable Baba, sinuous, with a hint of wheedling Levantine

The conductor Sylvain Cambreling has been absent from Glyndebourne for too long. The

accent. As usual Miss How-

ells's timing was a joy. As Sel-

lem the auctioneer, Alexander

Oliver, strutting and preening like a dancing-master with the

face of a gorged hut greedy

bird of prey, exuded false bon-homie. One was almost sorry

for him when the hubble was

LPO's playing did not have all the tinder-dry, crystal-clear quality of Haitink's reading but was equally valid, with plenty of punch, bounce and thrust. The recitatives, in the bewildering variety of Stravinsky's treatment, were espe-cially well handled. There were moments when the prismatic score revealed fresh secrets. I have never heard the sometimes dull episode of the bread-machine sound so intriguing. Needless to say the remaining performances are fully booked, but it is emi-nently worth while trying to

Ronald Crichton

William Packer reviews Henry Moore in Switzerland

wrapped in vineyards, that commands the Swiss approach to the Grand Saint Bernard, just where the smaller valley falls into the valley of the Rhone some little way above Lake Geneva, is not the most likely place in the world to come

upon major exhibitions of great art. The Fondation Pierre Gianadda, which Léonard Gianadda, a local businessman, set up some dozen years ago in memory of his brother, is part concert hall, part archeological museum, part vintage motor car collection, part cultural centre. Thus it serves its turn as art gallery, every year organising particular exhibitions, none of them over-large but all beautifully judged, of art of all kinds.

These have included studies of the work of Egon Schiele, Toulouse-Lautrec, Paul Delvaux and, last year, two groups of masterpieces from the Museum of Art of Sao Paulo in Brazil Rodin was shown in 1984, Giacometti in 1986, and the sculptural sequence continues this year with a Henry Moore retrospective, arranged in collaboration with the Henry Moore Foundation and the British Council

(until November 19).
From a purely British perspective, yet another Henry Moore exhibition is hardly news. Indeed the news would be to learn rather that the art world was for the moment Moore-free, that nowhere were the British Council and the Henry Moore Foundation putting up a show, or taking one down. He had been, of course, a truly international figure for almost the last 40 years of his life. Certainly by 1960 the great museums of the post-war world were queuing up for their definitive reclining figure, writ as large as possible. And yet that reputation, national as well as international, has remained oddly equivocal, sustained more, perhaps, by isolated examples and stereotypical ideas of the work than by substantial knowledge of its totality. If there was always the case for the retrospective even at home, how

artigny, the small old town, much stronger must it be abroad. The truth is that any show of the work of a major artist will be in some sense revealing and renewing. No matter how familiar the work, or predictable the choice, the fresh context and new audience will bring to the work fresb insights and responses. For a British critic long familiar with Moore's work, to go to see it yet again in Switzerland was not to go expecting much that was new. The experience was thus the more salutary for discovering just how fresh the general response to the work was. In particular here was a educated foreign public, and European critics hesides, interested in matching a given reputation to the physical reality of the work, never seen in any general strength before. How parochial we all are, even now.

Monumental view of humanity

Of all the myriad small retrospectives of Henry Moore, this at Martigny is one of the best, at once fully representative and yet most intriguing in its selection. It includes prints and drawings besides sculpture, and takes us effectively through the entire career, from student days at the Royal College in the early 1920s almost up to the death in 1986, at the age of 88.

At every turn there are surprises, not so much of kind as of particular example and quality. Clearly, to the several foreign colleagues with whom I visited the show. such things as the exquisite copy Moore made as a student after the head of the Virgin hy Domenico Rosselli, came as a complete surprise. So too did the sheet variety of so much of the earlier work, the primitiva figures of the late 1920s, the abstract carvings of the 1930s, the modelled and cast groups of the 1940s and 1950s, so much of it on the smallest scale and yet imaginatively so powarful and expansive. Everywhere there were fresh, rare yet characteristic examples, including some early life drawings that I don't remember having ever seen before.

the work, an imaginative scale that falls comfortably within the artist's natural physical scope. The question is what he can actually manage as he works, the piece of marble manhandled by the young student, the old man's tiny plaster maquette, to be amplified only later under his supervision. Moore would always claim that scale was a function of the imagination, that against the sky even the tiniest work woold command its own scale, which if it were inherently monumental, would be indeed

The opportunity came to him in his later life to achieve that scale as a physical fact, yet with those huge late impositions upon the landscape, the doubt creeps in that their impressive presence is less sculptural and imaginative than material. Here at Martigny some of the later hronzes are shown outside, in the garden of the Fondation oddly reminiscent of the orchards at Moore's old home at Much Hadham, a domestic and human setting despite the mountains looming in the background. And the casts chosen are not huge, hut of a more appropriate and accessible medium size. The King & Queen (1953), themselves no more than life-size. are shown inside the huilding, for once rather touchingly domestic. Out on their Scottish hillside, they too are monumental, as they might have heeo here, sitting with the valley stretching away far helow into the distance.

So it is the turn of a reclining figure, a seated woman, or a fallen warrior to make the point that, with the work thrown up against the sky and the distant landscape. we make its scale in the imagination, no more nor less than we want it to be. Henry Moore, we come to realise, was an artist who expressed his gift for the monumental, though working even on the smallest scale. And greater still was his gift of celebrating even in the most Particular treats apart, I came away pondering an essential unifying quality of humanity, of scale and spirit together. monumental of his works, an essential



A late bronze: 'Reclining Figure, Hand.' 1979

Orlando

ROYAL ALBERT HALL/RADIO 3

atic art, and between them dispute the title of Desert Island Handel Opera, Both are works of intense erotic charge whose principals are buffetted by tides and crosscurrents of sensual intrigue, emotional conflict and anguish; both are works in which the apparatus of magic and the supernatural

directly carries that charge. For all the supposed difficul-ties and rebarbative formalities of the opera seria conventions in which they are framed, these works seem now to speak to us as directly as Mozart's Cost or Giovanni – about the emotional frailties of human nature and the passions that can drive human beings to extremes of ecstasy and madness. And both are works of almost overwholming musical

a hundance. Orlando, given on Sunday night at the Albert Hall by the Academy of Aucient Music under Christopher Hogwood, is the first of this year's Prom

For many Handelians Orlando operas. No welcome could be and Alcina provide the too strong for the choice (it supreme examples of his oper-seems a crazily long time since atrical conflict.

Handel the musical dramatist confirms up character and the former glows with grace atrical conflict. This is, by the standards of this opera was last staged in

the earlier Handel Italian London). It was here given in the form of a semi-staged conoperas, a modestly scored cert - the quintet of singers work, but its lines and details moved on, off, and about a spe-cially disposed platform area of colour take on an extraordinary heightened quality, and the conductor's awareness thereof could be felt throughrather than just standing and singing. On such occasions in the past, balance between out (in, for example, the use of recorders to indicate romantic voices and hands of period or natural delights, or of two violette marine to accompany instruments has tended to falter in so large and inappropriate a space; and I chose instead to "attend" the opera at home, Orlando'a return from madnes to sanity). The rhythmical abundance and virtuosity of libretto in hand, and to con-struct nut of Handel's richly the music supplied direct sources of dramatic vitality - it was a fully complete Orlando worked fantasy an ideal production of the mind. we heard, and in all senses a In such conditions it came across as a marvellously well-"live" one from first note to

> The soprano roles of Angelica, proud princess and central love-object, and Dorinda, down-to-earth yet lovelorn shepherdess, were taken by two of the brightest ornaments of British "period" perfor-mance, Lynne Dawson and

poise, and unforced purity of the latter afford a perfect contrast. Both voices were themselves beautifully set off by the Medoro (a male role originally written for a woman) of Catherine Rohbin, a warm, evenly produced mezzo whose account of "Verdi allori" was one of the evening's high points.

James Bowman's Orlando is experienced, finely judged, in its own way masterly; I confess to finding the cloudiness and humpiness of his countertenor more disconcerting than ever, hut the very jolts lent the plunges into madness a kind of verismo vividnass. David Thomas's bass lacked the grandeur required for Zoroaster, the magician who pulls the strings of the drama; but as ever his skilfulness in counterfeiting it was impressive. The whole experience cast a spell that still lingers as I write.

Max Loppert

Nijinska at the Dance Theatre of Harlem

Less than ten years ago, the works of Bronislava Nijinska were virtually unknown to American hallet-goers. The Royal Ballet hrought Las Biches and Les Noces to New York in the 1960s; Les Noces was greeted with incomprehen-sion bordering on bostility by the majority of the audience at the Metropolitan Opera.

In the 1980s, the situation has changed. Led by the Oak-land Ballet in California, which revived both hallets early in

the decade, several American companies have staged one or the other. (Oakland is promising a reconstruction of Le Train bleu for the fall.) Dance Theatre of Harlem revived Les Biches in 1983, hut dropped it after a few performances. Now the company has presented both ballets in its just completed season at the City Cen-ter, together with a smaller work, Rondo capriccioso, dating from 1952.

Dance Theatre is probably

July 28-Aug 3

The Arena. This week's performances include Verdi's Nabucco.

conducted by Daniel Oren, with Silvano Carroli, Piero Cappuccilli and Paata Burculadze, Gian-

franco de Bosio's production of Aida, conducted by Pinchas Steinberg (Aprile Millo and

Bruno Beccaria), and Verdi's La Forza del Destino with Maria

Chiara, Giorgio Zancanaro and

the best equipped of all American companies to do justice to Nijinska's two masterpieces. The dancers have the wit, ele-gance, and sense of style for Les Biches, the weight, endurance, and sense of community for Les Noces. This is not to say that there were not several ragged moments in the ensemhle passages on opening night. Both hallets are, after all, killers, making enormous demands on the dancers' tech-

nique and stamina. By the last performance most of the trou-ble spots had been sorted out, and the dancers gave a deeply moving account of both ballets.

There were two casts for most of the principal roles. Virginia Johnson, prima inter pares of the company's hallerinas, was cool and remote as La Garaaonne in Biches, her long, beantiful feet precisely articulating the epigrammatic toesteps. Stephanie Dahney, in her one performance, made her mask a little too rigid. Both Eddie J. Shellman and Ronald Perry gave amusing portrayals of the lame-hrain jock who comes under this enigmatic creature's spell. Endalyn Taylor made a stronger impression than Francesca Harper as the Hostess, combining aloof sophistication with astonishing

The two chanson daosaae girls were oot double cast: Kellye Gordon and Erika Lambe brought a touching innocence to this interlude of amitiaa amoureuse. Constant Lamhert called Les Biches "Firbankian;" Carl van Vecbten, Harlem habituaa and author of Firbankiao novels, would bave relished the tbought of Dance Theatre recreating this twenties faate galante. The choric dances of Les Noces were led by Cassandra Phifer and Augustus van Heerden, or by Judy Tyrus and Robert Garland. The entire group projected the sense of a momentous communal experience - seriously undermined, however, by Lorraine Graves's simpering as the Bride, up on the inner

stage. In the second cast, Judith Rotardier was properly submissive.

By the last performance, the effect of the great final moments, when the group coalesces into an architectonic tahleau, was positively catbartic. Rondo capriccioso, to music of Saint-Saens, is a harmless piece of 1950s kitsch, originally choreographed for Rosella Hightower and George Skihine. It gives Dabney, as a Bird of Paradise, a chance to repeat her Firebird act, stalwartly partnered by Perry and two "hunters" who manipulate a holt of cloth and try not to get in the way.

Nijinska's reputation, of course, rests secure on the two other hallets. The programme was staged by her daughter Irina, with the help of Howard Sayette for Noces and Hightower herself for Rondo. What we see, therefore, is Nijinska's choreography reproduced as authentically as possible - unlike the Joffrey Ballet's reconstructions of Nijinsky's Le Socre du printemps and Balanchioe's Corillon, estimable scholarly enterprises both hut essentially the product of someone other than the original choreographer joining the dots.

Dance Theatre's artistic director, Arthur Mitchell, has done nothing finer than this tribute to a great choreographer, and is to be especially commended for mustering the proper musical forces: eveo if toe orchestra in the Poulenc sounds a little thin, this is the only production I have ever seen that restores the vocal soloists, who add an important element to the score. Inevitably, I suppose, the clothes for this ballet suffer from being made from cootemporary fabrics. and I wish the frocks could be individually dyed. Marie Laurenazin's drop curtain was poorly lit, hut otherwise her decor looked fresh as paint.

David Vaughan

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FINANCIAL TIMES

ARTS GUIDE

OPERA AND BALLET

Ballet. At the Coliseum the Bolshoy Ballet storms through a repertory of full-length ballets, including Giselle, Spartacus and Romeo and Juliet. Worth seeing. Romeo and Juliet. Worth seeing, of course. So too is the wonderful Paul Taylor company at Sadler's Wells Theatre, with evenings of Taylor's superiative choreography and dancers. ###At the Coliseum, the Bolshoi Ballet continues a grand London season with performances of Swan Lake, and Spartacus. At Sadler's Wells, the fine Paul Taylor Company from New York

for Company from New York presents evenings of superh choreography.

Paris

Grand Palais des Champs Ely-sées. Ballet Moisseiev: Russian and world folk dancing

Bayreuth Bayreuth Festival. Wagner fans

from all parts of the world will see the premiere of a Parsifal see the paramete of a Parsigni production by Wagner's grand-son Wolfgang. Conductor James Levine leads a strongcast includ-ing William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltrand Meier. After criticism of Harry Kupfer's Ring cycle
production, changes are expected
for the revival. The main roles
are once again sung by Siegirled
Jerusalem/Rainer Goldberg, John
Tomlinson, Peter Hofmann and
Neither Seemade Johnsenia com-Nadine Secunde. Lohengrin, con-ducted by Peter Schneider has

Paul Frey in the titla role, Cheryl Studer/Nedine Secunde, Ekke-hard Wlaschiha, GabrieleSchnaut and Eike Wilm Schulte. *Tann*and take with Schede. I down-häuser returns, after a one year break with the new Venus Ruth-ild Engert-Ely, Chery! Studer, Wolfgang Brendel, Hans Sotin/ Manfred Schenk, William Pell and Slegfried Vogel, in Wolfgang Wagner's delightful production.

Munich Munich Opera Festival. Last

week of performances opens with Le Nozze di Figaro with star sing-ers Margaret Price, Wolfgang Brendel, Susan Quittmeyer, Her-mann Prey, Angela Maria Blasi, and excellently conducted by Bernhard Riee, Dornrischen has wonderful Deter Weight eloperoa. wonderful Peter Wright choreography. Don Giovanni has a first-rate cast led by Thomas Alleo, Kurt Moil, Julia Varady, Peter Schreier, Mariana Nico-lescu, Jan-Hendrik Rootering and Angela Maria Blasi. Die Mei-stersinger von Nürnberg in August Everding's ordinary staging, convinces thanks to Bernd Weikl, Kurt Moll. Hans Guenter Noecker, Kenneth Garrison. Rene Kollo and Lucia Popp in the leading roles.

Terme di Caracalla. Aida, in a revival hy Sylvano Bussotti of the spectacular 1950s version. with six over-excited horses now replacing the camel, which has long since retired to Rome zoo. The conductor, Nicola Rescigno, who conducted Callas for many years and is now with the Dallas Opera, returns after a 25-year absence. (46.17.55/46.36.41).

Verona

and Renato Bruson (32577). **New York** New York City Opera. The week features the first performance of *The Mikado* with Lisa Saffer and Richard McKee in Lofti Mansouri's production conducted by Peter Howard. Other perfor-mances include Die Zauberflöte

Theatre (877 4700). Washington Opera House (254 3770).

Ravenna Festival. Verdi's La Traviata conducted by Massimo de Bernard, with Nelly Miricioiu

conducted by Scott Bergeson with Elizabeth Hynes as Pamina, Elizabeth Carter as Queen of the Night and Walter Macneil as Tamino; and Rigoletto with Maureen O'Flynn as Gilda, Susanne Marsee as Maddalena and Pahlo Elvira in the title role, conducted hy Scott Bergeson. Lincoln Center New York State

Kirov Ballet. The company continues its two-week stay with Chopiniana, Paquita and The Skeping Beauty, Kennedy Center

Martinucci, conducted by Sandro Bolchi (596517/8005151).

FINANCIAL TIMES

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Tuesday August 1 1989

Crime and punishment

THE MURDER of Lt Col William Higgins is an outrage which admits of no moral justimurderers or for whoever insti-gated them to do it. That should be self-evident. The part played in the tragedy by the misjudgments of other parties requires more analysis, but that should not be taken as an extenuation of the crime. Whether Col Higgins was

engaged in bona fide UN duties, or - as many people in Lebanon unconnected with his kidnappers believe - in intelli-gence-gathering on behalf of his own government, he clearly should not have been in south Lebanon in February 1988. He was foolish to go there, the UN was culpably foolish to send him, and the Reagan Administration no less so to allow him

But if the US has itself partly to blame for getting him kidnapped, it is bound to bold Israel at least partly to blame for getting him killed. It is unlikely that Israel's objective in kidnapping Sheikh Ahdel Karim Obeid last week was deliberately to embroil the US in a new confrontation in Lebanon, but that bas been the effect. Israel's probable aim was to oblige the kidnappers to release their hostages (believed to include three Israeli servicemen) by turning their own methods against them and kidnapping a man known to be close to them if not their actual leader. Such an exchange was indeed publicly proposed by the Israeli defence minister yesterday, just after the deadline for Col Higgins's "execution" expired.

Grievous mistake

If that was Israel's aim, it was a grievous mistake. A civilised government cannot compete in callousness with a band of desperadoes. The logic of such competition would now Sheikh. Mr Menachem Begin did not shrink from that logic when he hanged two British sergeants in retaliation for the execution of two of his men by the British authorities. But he did so as a wanted terrorist prime minister in the 1980s, his successor could not contem-

ever, will almost certainly feel obliged to retaliate in some way, and its allies will achieve little, except to deepen misun-derstandings within the alli-ance, by trying to dissuade it. A world power cannot be expected to allow an officer wearing its uniform to be killed in cold blood with impunity. But President Bash should target any retaliation with great care and precision. The shedding of innocent Leb-anese blood would deprive America of any moral advantage, and would make the political problems of the area even more intractable,

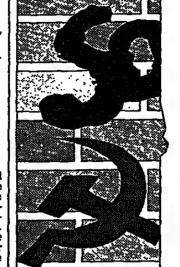
Power struggle

The question which will exercise many western policy-makers is how to reconcile this barbarous and provocative action by a group presumed to enjoy Iranian sponsorship with the election on Sunday of a new Iranian President appar-ently committed to improving Iran's relations with the outside world. The answer may be to see it as part of a power struggle within Iran between President Rafsanjani and his supporters on the one hand and hard-liners associated with Mr Ali Akbar Mohtashemi, the interior Minister, who as a for-mer ambassador to Syria is believed to have close ties with the Lehanese extremists, on the other.

The Iranian role in Lebanon bas become an ideological touchstone in the battle between those intent on exporting the revolution and those, like Mr Rafsanjani, who evidently understand the price iran has paid for such activi-ties in the past and want to concentrate on rebuilding their

country's shattered economy. But western countries cannot allow their policy towards post-Khomeini Iran to be moulded hy such nuances. They will have to judge the country by the actions and words of its Government as a whole, not by the good inten-tions expressed by one leader or another. If Mr Rafsanjani is to fulfil his promise to maintain healthy relations with other countries, he will have to dissociate Iran convincingly from acts such as that announced yesterday, and use plate following that precedent now.

The US Government, how-



Major announcements and Indications of aid to Poland since Polish elections in June

\$100m Polish-American Enterprise Fund to be set up to support "strong entrepreneurial sector".

\$15m for environmental initiatives, mainly in Cracow area. \$4m assistance to independent unions and for job training. Exchange of cultural centres.

expected when Chancellor Kohl visits Poland.

\$26m short-term credit now available for priority sector investment after signing IMF agreement. French investment in Poland encouraged and Government-backed: basic and advanced level training programmes established.

Ready to lend DM1bn (\$327m) for specific programmes (further details

\$43m for management training

Instructed by G7 summit of 15/16 July to "take the necessary initiatives" to co-ordinate aid. This will include: Ecu1 10m (\$121m) food aid. Longer term aid to agriculture sector. 5 year preferential trade deal.

\$325m worth of loans for industrial restructuring and agri-industrial

development,

Likely to agree to reschedule its \$24bn share of Poland's \$39bn

worth of debt, for the fifth time. Poland stopped paying interest on it anyway.

Commercial banks

Asked by Poles in May to reschedule the rescheduled \$9bn cumulative debt to banks. Poland missed interest payments in June. Likely to reschedule.

sternational Monetary Fund Studying draft agreement with Poland. Poland will quality for help under Brady debt reduction plan, after IMF agreement - thought to be forthcoming

John Lloyd, Christopher Bobinski and David Buchan on western assistance to the Poles

fter the rhetoric, the reckoning. Poland's new rulers, who on a broad definition must include a politically trinmphant Solidarity, have sncceeded in convincing western govern-ments of the need to assist their pros-

Today in Brussels, representatives of 24 industrialised countries meet to try to put more flesh on an already substantial structure of aid to Poland, in a highly interventionist international reconstruction effort. This unique and uniquely important help is aimed at transforming the Polish economy from a state socialist to a free market type. It is aid in the ser-vice of a new politics and a new

organisation of society, in June, Poland's Communist Gov-ernment took one great step by per-mitting free but limited elections which led to its humiliation by Soll-darity. Today it intends to take a no less risky leap in the dark by lifting price controls on subsidised foods – which will at least double the price of

most food and may set off strikes.
The international aid is intended to create conditions where such prices will increasingly be set by the market. The common theme of the aid is a steady concentration on the emer-gence of entrepreneurs, commercially minded managers and projects which

sink or swim in the market place. The £74m worth of food help which European Community farm ministers agreed for Poland last week is a case in point. First, it is modest - the 10,000 tonnes of meat included in the aid is barely one month of the country's normal consumption. Second, it is aimed at changing the structure of agriculture as well as feeding the

This reflects a certain optimism within the European Commission that, as M Jacques Delors, the president put it, the West could "show the Poles how to operate a free market." This is to put it far too ambitiously. The special Commission task force set up after the Paris summit to co-ordinate the West's aid began by scrambling around for press clippings on Poland and Hungary. None the less, the EC has, in rapid order, approved the aid, agreed a five-

Poland learns the price of aid

year preferential trade deal with Poland, and called today's summit of the industrialised countries to discuss further assistance. Indeed, it is a mea-sure of the changed sentiment towards eastern Europe that the Commission was able to get farm produce concessions for Poland which last year were denied to Hungary (and that some of these will now be extended to the Hungarians).

The Commission is in no position to become Poland's mentor in capital-ism, Indeed Commission officials admit, whatever Mr Delors may claim, that they have little idea what structural improvements should be made, and are thus ready to listen to local advice. But the trade accord, which abolishes EC quotas on most industrial goods and opens up a crack in farm protection with minor but rare reductions in such produce as duck, goose and horse meat, will help a little towards the long haul of integrating Poland into the western economies. More importantly, the Community has modelled the food aid on programmes already operating for india and China - that is the food is given free but the recipient govern-ment has to use the receipts from its internal sale to restructure agricul-

Agricultural restructuring will, in part, be a euphemism for price rises on food which, at present, receives a 300-per-cent subsidy. Despite this prices are still too low to recompense

Poland's farmers.

As a result, prices are set to more than double from today. The cost of meat is likely to rise to within 80 per cent of the current free market rate, which means an at least twofold and possibly more than threefold rise on

meat items. This is in addition to a donbling at least, of the price of other foodstuffs. The Government, weak-ened by the election, is clearly terrified by the prospect of a move which has, in the past, caused momentous riots, helped, indeed, produce the Solidarity trade union movement - and this time could threaten the rickety remains of Communist rule.

However, restructuring could also mean the setting np of independent food processing, a sector where currently the non-state businesses are rently the non-state businesses are small. Professor Witold Trzecia-kowski, a Solidarity economic expert, has already called for the estimated Zls 120hn (£89.45m) proceeds of the food aid to be used in this way. He has some experience here; he has presided over a scheme for piping water to some 180% farms at a cost of to some 18,000 farms, at a cost of \$2.8m (£1.7m) – all paid for by a grant from the US Congress. What is not known is who will con-

trol the funds which the aid produces
- whether institutions controlled by Solidarity, the Government, or some sort of joint authority... Yet what is now clear is that this

and other western aid is fundamentally different from the loans of the 1960s and '70s: that vast, nearly \$40bn foreign debt burden which the Poles now carry. Those loans poured into vast projects which, by the early 1980s, accounted for only 10 per cent of the number of enterprises, but employed 50 per cent of labour and employed 50 per cent of labour and accounted for fully 75 per cent of production. That strategy, as two con-temporary commentators have argued, was "eminently suited to the maintenance of the existing directivedistributive bureancracy, since it involved a minimum devolution of

antonomy and responsibility to research and development centres, enterprises, local councils or society at large.**

Now however, the stated aim of the Polish Government, Solidarity and the western aid providers – both governments and private sector institutions - is to create an ever-denser undergrowth of small to medium companies which trade, both internationally and domestically, free from bureaucratic or political interference. Both Polish and western sides, it is said, have learned lessons. The new slogans shared by all are: Forward with the Market! No more gigantism! Down with the bureaucracy!

It will be very hard. The Polish economy, like all state socialist econo-mies, is a virtually inextricable mix of political decision-making, bureau-cratic control and infighting by differ-ent lobbies. It is not so by accident: it has been explicit Communist Party policy to place its leading cadres in senior industrial, bureaucratic and financial posts. The best hope of diswhere they may or may not make effective managers but will, it is hoped, at least be succeeded by people who will. This new class of managers is increasingly likely to be western-trained, or at least trained with west-ern money in western methods.

Solidarity's economic experts and economically inclined leaders and deputies to the new parliament, together with the considerable circle of free marketeers who often havs influential voices within the Commu-nist Party, are all western-oriented — though some would tend to western

neo-liberalism while others prefer western social democracy.

Further, when the new managers look for projects, for capital and for markets, they will also tend to turn west. The pattern of production and investment since the war has been to orient Poland's industrial base towards the needs of the Soviet Union The thorough discrediting of that

model, the poverty and backwardness it is seen to have stamped on Polish society, added to the inability of Comecon, the Soviet-bloc economic community, to advance much beyond the exchange of sub-standard goods and raw materials for unconvertible currencies, have all combined to spike the guns of the political fundamentalists and lend authority to the reform-

The next stage, following on from the visit of President George Bush, and after the swearing in of the new President, Wojciech Jaruzelski (who was, after all, only the old General, Communist Party chief and intro ducer of martial law) and yesterday's choice of the new Government, will be to attempt to create this new class of managers and put it to work. This is a ery tall order. The reforms which are being called

for, first among them price rises, could meet resistance on the streets. Solidarity, fearful of losing its popular base, has already signalled it wants full wage indexation. The "official" union movement, OPZZ, which is attempting to recover prestige through militancy, cannot afford to be left behind.

lodging them at the moment seems to

The aid exercise that is being conbe to privatise them: that is, to shift ducted for Poland's benefit is very difthem bit by bit into the private sector ferent from, for example, the US Marferent from, for example, the US Mar-shall Plan and the large amounts of money it made available for the reconstruction of post-war Europe. Polish aid is not less ambitious in Poish aid is not less ambittous in scope but will have nothing like that sort of cash committed to it — for it is now clear that the Poles are not to be "bailed ont." Aid is available only once profitable hard work and market-led virtue have been demonstrated. The premise underlying it is that the time for sudding chalcons is that the time for fudging choices is

*Poland, by Kolankiewicz and Lewis, publ by Pinter, 1988.

The heart of Europe

WEST GERMANY is the pivot surplus of DM 128bn (as between eastern Europe, now in the turmoil of reform, and western Europe, in the throes of economic integration. It is, in fact, the heart of Europe. Nothing is more important for the future of Europe than that its German heart should beat healthily.

From the latest OECD economic survey, it would appear that it is doing so – and to an unexpected extent. The diagnosis of arteriosclerosis no longer appears accurate. But appearances are misleading. What events do show is that the German economy remains superlatively good at what it has

always been good at.
in its survey of a year ago,
the OECD projected growth of
gross national product at 2½
per cent in 1988. In the event, it grew by 3.4 per cent. But the OECD forecast GNP growth of the whole OECD area at 3 per cent and of its European mem-bers at 2½ per cent. Since the outcomes were 4.1 per cent and 3.5 per cent, respectively, the other industrial countries did as unexpectedly well as West

Germany.
The link is a direct one. It was the investment boom in the rest of western Europe that drove the West German economy to its best performance of the 1980s. The sources of buoyant German demand were exports, which grew by 5.5 per ment, with private non-residenment, with private non-residen-tial investment rising by 7.2 per cent. Meanwhile, private consumption in Germany per-formed worse than projected.

Rapid growth

Rapid growth of exports has a major impact on total demand in West Germany's export-dependent economy.

With capacity utilisation and profitability at levels last seen in the early 1970s, corporate balance sheets as strong as in the late 1960s and inflation low and stable, the expansion of investment is easy to explain, at least in hindsight.

1988 was the year external adjustment stopped, though the bilateral composition of the trade surplus has altered sig-nificantly. in 1988, West Ger-many's bilateral trade surplus with the US accounted for only 13 per cent of its total trade

against 25 per cent in 1986). Bot the trade surplus with other EC members accounted for 63 per cent of the total in 1988, as against 46 per cent two years earlier. The tension one would have expected within the EMS was

forestalled by the huge private capital outflow. The purchase of foreign securities was almost three times as large as in the previous year. So great was the outflow that the Bundesbank experienced a net loss of reserves in its efforts to support the currency.

Sustained outflow

The big question for the future is whether such an out-flow can be sustained. Though coded, the OECD's doubts are clear enough. A real apprecia-tion of the exchange rate is thought desirable, which would require a re-alignment

would require a re-alignment within the EMS.

The OECD may well be right, but as long as profitabil-ity remains high in the capi-tal-importing countries, the commitment to exchange rate stability credible and interest rates attractive, the required capital flow can hardly be ont of the question. With a sus-tained current account surplus of 4 per cent of GNP, the net of 4 per cent of GNP, the net foreign assets of West Ger-many would stabilise at 80 per cent of GNP, far below the ratio for the UK before the First World War.

What is clear, however, is that the wasent scale of central

that the present scale of capital outflow can only be accommo-dated within an increasingly integrated and dynamic EC economy. This being so, the OECD makes surprisingly little of the programme to complete the EC's internal market.

The programme has already contributed to the EC-wide investment expansion from which German industry has benefited. It will increase the integration of the EC economy. It will also force liberalisation upon some of the most scle-rotic parts of the West German economy. The bealth of the German heart cannot be separated from that of the European body, with both now depending on the medicine contained in the EC's pro-gramme to complete the inter-nal market.

Talking to the trees

■ A limited edition of a new magazine will appear today called PULP! It is printed on recycled paper, has 56 pages of articles and drawings, and is all in black and white except for the top part of the exclamation mark, which is green. The legend alongside the masthead is: "All arboreal life is here." And indeed it is.

PULP! is about trees. Like the movement, Common Ground, from which it stems, it is much less eccentric than it sounds. Common Ground is part of the green movement, but not the Green Party. It has had some funding from the Department of the Environ-ment and quasi-government bodies like the Countryside

The idea is that the tree is a symbol, as was the whale, which Common Ground has also been active in protecting.
"People have relationships with trees . . . every tree should be a wanted tree," says Sue Clifford in a voice that sounds neither soppy nor dotty. Clifford is a lecturer in plan-

ning at University College, London. She used to be part of Friends of the Earth, but moved on from there with some of her friends to Common Ground. Apart from PULP! the organisation published two books last month, printed two T-shirts and is staging two travelling exhibitions. One of them. The True Table of Life. them, The Tree of Life, is now at London's Festival Hall. The other, Dut of the Wood, opens at the Crafts Council tomor-

Every article in PULP! is about trees, from taxation pol-icy to their effect on poets. The arts world contributes heavily. There are 12,000 copies at £2.50 each. Dillons, the bookstore, has bought 5,000, thus covering costs. They are also available at all Virgin Megastores and such places as the Tate Gallery. It is probably a one-off

OBSERVER

Hiccoughs

Something is up with the Reuter financial services. Last Friday there was a line on the wire that the Fed had made arrangements for ale repurchase agreements. Yesterday came the report of a half point cut in base rates by the National Bank of Hicago.

Young Moores ■ Cecil Moores, who died at the weekend aged 86, was the

quieter of the pair, but a key figure none the less. He and his brother, John, established Littlewoods' pools.
They were Manchester telegraphists who put £150 into their husiness in 1923. They

gave out 4,000 coupons outside the gates of Manchester United's ground, received 35 com-pleted entries and paid a first dividend of £2 12s.
The idea canght on: when
English league football
resumes in two weeks' time,
Littlewoods' potential first dividend – awarded for forecast-

idend — awarded for forecasting eight drawn matches in
which goals are scored on any
Saturday — will rise to £1.5m.
Entries are already at 7.5m
coupons a week, with an average stake of £1.30. They will
probably rise further. The business provides 5,000 jobs in
Liverpool.

John went on to develop Littiewoods as a retail clothing
and mail order house. It
emerged as Britain's largest
private company. Its founder, private company. Its founder, now 93, was knighted. He left Cecil to run the pools business. so John could become the financial force behind Everton

Liverpool. Cecil's profile was lower, but he had a similar appetite

and a major shareholder in



for work, going to the office from his Formby home up to four times a week — even though he retired as chairman in 1979 to become life presi-

Lost touch

■ The autumn conference of David Owen's Social Democratic Party in Scarborough has had to be put back two days because of a local difficulty over bookings. The conference clashed with a magicians' convention and the cians' convention and the powers that be have given pre-cedence to the people with real

New mount

■ Rod Stamler, for the last two years an assistant commissioner in the Royal Canadian Mounted Police and as such one of Canada's most senior Mounties, today begins a new

career. As an accountant. The 54-year-old Stamler is going to Peat Marwick in Toronto, where he will be a partner in the forensic accounting division, which specialises in gathering evi-dence for court cases involving complex business and financial

No doubt about his qualifica-tions. In his 33 years with the Mounties, he headed some of Canada's most sensational eco-nomic crime cases, including both the Sky Shops affair and the Hamilton Harbor dredging scandal. The latter involved Canada's longest jury trial and led eventually to the resigna-tion of the then Ontario Solicitor General. For most of the 1980s, Stamler has been head of the Mounties' drug enforcement programme.

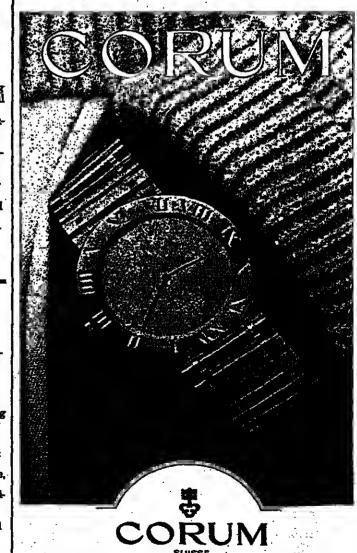
Welsh wars ■ Wales has fallen out with

the Foreign Office. In his search for inward investment, Peter Walker, the Welsh Secre-tary, has been strongly supporting the Welsh Develop-ment Agency, which wants to open further offices abroad. Top of its list is Hong Kong. The WDA went about getting an office and then put a series of eds in the legal responses.

of ads in the local papers saying, in effect, Come to Wales.

Everyone was happy — except the Foreign Office. One of the the Foreign Office. One of the last tasks of Sir Geoffrey Howe, before he was unbundled, was to fire off a memo to the Principality. The Foreign Office is particularly sensitive about Hong Kong at the moment and does not want any old Hong Konger thinking he can buy his way into Britain via a factory in Wales. Walker is comtory in Wales. Walker is com-ing back fighting and will have words with John Major, the new Foreign Secretary.

Nagging doubt What did Lady Godiva's husband say when she returned from her famous ride? "Your horse got home some hours



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FOR A BROCHURE WRITE TO CORUM, 2301 LA CHAUX-DE-FONDS, SWITZERS AND

LETTERS

Falling on the sword

From Mr John Goulandris. Sir, Now that the dust surrounding the County NatWest/ Blue Arrow affair has started to settle, I feel it is time to consider the justness or otherwise of the Department of Trade and Industry (DTI)

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Car Breakfre

report itself. County NatWest is one of many independent, autonomous subsidiaries of the National Westminster bank group. Each subsidiary has its own chairman and chief executive

The chairman and chief executive of County NatWest left the service of tha bank last

Albatross at the polls

From Mr Roger Grafftey-Smith.
Sir, Michael Prowse's excellent article on "The World'a
Worst Tax" (July 28) reveals
the poll tax in all its grotesqueness. We should also not forget that its trivial provenance was an indiscreet promise hy Mrs Thatcher herself, years ago, to abolish the rates.

This albatross, coupled with a hatred of all left-wing councils, has driven her and, in turn, her successive Secre-taries of State for the Environment to attack all local governments to the point of almost destroying their ethos.

I would disagree with only one aspect of the article. It is not apathy hut gutlessness which characterises the elec-torate and their representa-tives — well illustrated by the Prime Minister's maladroit if ruthless pulling of political levers last week.

year. There can be no doubt that the young County Bank executives committed wrong, probably quite knowingly, and

these once proud Prometheans have been justly punished. However, is it right and just

that main board NatWest

directors, with no day-to-day

involvement whatsoever with County Bank, should be ritu-ally sacrificed?

accept that these men commit-ted no wrong and were misled.

Given the circumstances, and

on the very limited informa-

tion base available to them, it

is not surprising that the main

The DTI inspectors readily

How one longs for a Hampden, a Hazlerigg or a Strode to protest this tyrannical tax instead of the Brylcreemed sycophancy of a reshuffled but dog-eared pack. Roger T. Grafftey-Smith, Grafftey-Smith and Associates, 25 Wormwood Street, EC2

ish Rail versus the transport

unions, this argument could have been extended to include

also the remuneration of senior

executives in the nationalised

industries. How can one hope to replace Sir Robert Reid, the chairman of British Rail, when

he retires, with a "rongh, tough" outsider such as Mr

David Simon, managing direc-tor of British Petroleum, unless such a candidate can be

offered terms at least equal to

his present remuneration?
This is one of the main dan-

gers of private sector senior

executives paying themselves inflated salaries. Either the

board directors raised no objections to the transaction - and yet the DTI report, in effect, demands their removal. There is an inconsistency and an unfarmess here, on which Lord Boardman and Lord Alexander have seized (quite rightly) with

vigour.
Falling on swords is very noble, but is it justice? Should the Transport Secretary resign every time there is a serious transport accident? Should the Prime Minister resign every time there is a political bhunder? Should the personnel manager of a retail company resign every time a company employee is dismissed for disbonesty?

he lack of enthusiasm

reshuffle has been greeted abroad reflects the generally gloomy view that Britain's closest allies, particularly in Europe, have long had of Brit-ish foreign policy. The Prime

ish foreign policy. The Prime Minister, though often admired

for her economic achievements and her qualities of dogged

determination and frankness is seen as the leading international exponent of tiny Luxem-

bourg's famous national motto:

We want to stay what we

Brief excursions into Euro-pean history, like telling Presi-dent François Mitterrand that

the Greeks and the British, not

the French, invented the rights

of man, hardly compensate for the widespread perception that Mrs Thatcher lacks any real

vision of Britain's place in a

rapidly changing world. That depressing picture was bright-ened for many years by a For-

eign Secretary who, though manifestly shackled, was able to convince his European part-

ners by a combination of per-suasive intellectual argument and personal charm that the

UK was not peopled only by Little Englanders. Sir Geoffrey Howe can, no

doubt, be faulted for keeping his strong views about the need for Britain to participate

more fully in the process of European integration, like join-ing the exchange rate mecha-

nism of the European Mone-

tary System, too quiet. But the foreign ministers and officials

who had dealings with him clearly appreciated the breadth of vision and depth of conviction which finally lost him his job, and saw in him a guarantee that the UK would remain

Downing Street officials sometimes sneeringly refer to

the Foreign Office as represent-

ing the interests of foreigners rather than the British. A more

sophisticated analysis might

lead them to the conclusion

that head-on clashes with for-

eign governments and leaders which have the effect of isolat-

ing the country are not neces-

sarily the best way to further national interests. Those inter-

ests are often better served by

the more subtle diplomacy

which the Prime Minister is

Pessimism ahroad about the

possible effects of Sir Geoff-rey's departure is based on the belief that the inexperience in

foreign affairs of the new

incumhent at the Foreign Office, Mr John Major, can

only lead to an even greater impact of the Prime Minister's

ideas on foreign, and particu-larly European policy, than

That interpretation, while

said to despise so much.

committed to Europe.

with which Mrs Mar-

garet Thatcher's Cabinet

Justice involves punishing the guilty - that is, those whose hehaviour falls below acceptable standards. At the moment the DTI report is perversely unjust in that it tars with the same brush those cul-pable in this appalling affair as well as those who were not in any way directly involved.

Let us hope that in time the record is set straight. John Goulandris, 44 Church Road, Stoke Bishop,

Bristol, Avon

Streetwise earnings

From Ms Victoria Provis. Sir, Surely Peter Brown (Letters, July 27) misses the point. Does he really believe that intelligent teenagers, fac-ing the choice of leaving full-time education at 18 or continuing to university, will base their decision on the predicted income streams for these alternatives over the relatively short period to the age of 30?

I hope this is not so — or have things changed so much since my schooldays? My deci-sion to go on to full-time higher education was based

more on desire to learn about a chosen subject, meet stimulat-ing people of a similar age and have fun, than on the "opportunity cost" of short-term earn-

ings.
I recognise that the pressure on school-leavers will become greater, as employers woo this valuable resource with increasingly attractive salaries and as repayable loans replace student grants. But I hope they will resist it. A well-rounded and educated labour force is the UK's most valuable asset. Victoria Provis

Christon Consultants 17 Berkeley Street, W1.

From Mr Philip Chambers.

Sir, The current controversy

over boards of directors paying themselves what they think they are worth could easily be

Parliament should pass a

law requiring majority share-

holder approval, to be given at

Public snouts seem likely to be pushed aside

From Mr C. Schaanning. Sir, Your Lombard column ("Snouts in the trough," July 27) suggests that Britain's captains of industry may have been rewarding themselves a little too enthusiastically recently, and gives the exam-ples of the salaries earned by Lord King, Sir Denys Hender-

son and others.
Your correspondent draws a comparison between the remuneration of senior businessmen in the private sector and that of the Prime Minister and top hospital consultants, who both

come ont unfavourably. In the topical climate of Brit-

Facts matter

From Mr Peter Armstrong. Sir, Your International edition (June 28), reporting Mr Don Tyson's takeover of Holly Farms, says that Mr Tyson is from Tennessee. om-Tennessee.

Please note that Mr Tyson is Office,
Please note that Mr Tyson is Azenue Louise 437,
Azenue Louise 437,
Azenue Louise 437,

from Arkansas. Your newspa-per is always very factual, and B1050 Brussels, Belgium 'Signs of disaster are here'

From Mr D.R. Denne.
Sir. I do hope that someone has placed Frank Blackaby's article ("A soft landing is wishful thinking," July 26) under the noses of Mrs Margaret Thatcher, the Prime Minister, and Mr Nigel Lawson, the Chancellor of the Exchequer.

All the signs of disaster are here, just as they were in 1974 and 1980. It is possibly not too late to exchange high interest rates for physical restraint of the money supply, but it must be done now. Ralph Denne,

Davenport Vernon, London Road, High Wycombe, Buckingham-

From Miss Cassandra Phillips. Sir, Your report (July 5) on the Antarctic Minerals Bill

debate implies that the conven-tion the Bill is designed to sup-port is a purely environmental

protection measure. It is no such thing. It would

open the door to mining and oil extraction in the most frag-ile, as yet unpolluted, environ-ment in the world.

It is true that it embodies strict environmental controls,

but strict controls did not pre-

vent the Piper Alpha and the Exxon Valdez disasters, and

could not prevent similar

disasters in the far more extreme conditions of the Ant-

Care of a wilderness

it would be appreciated if you would correct this mistake

CAMPRIGN

FOR OBSCURE ENGLISH

about such a well-known per-son born in Arkansas. Peter Armstrong, State of Arkansas European

public sector must follow suit, and be allowed to pay the market rate to attract capable tal-ent, or it will plod along with its existing management, with little or no hope of improving

efficiency.

Maybe the whole matter is academic, because before long the remaining UK nationalised industries will be privatised anyway. But before that, the industries must put their house in order, or there will be no private takers. C. Schaanning,

Rowney Green Lane, Alvechurch, Worcestershire

a company's annual general meeting, for any increase in salary over and above the current rate of inflation. Philip Chambers 8 Ferndown Close, Hempstead, Gillingham,

A case for further study

From Mr Richard Rogers.
Sir, Robert Cowan's article on Milton Keynes ("Case study:
Milton Keynes," FT survey of architecture, July 20) states:
"Auschwitz, Nuremberg and Milton Keynes," declared Leon Krier, now planner to the Prince of Wales at Dorchester,

IT'S A RELATIVELY NOT OBTUSELY

COUCHED, AS IT WERE IN ENGLISH.

APPLICATION FORM

Rough places made plain

From Mr Gerald Tew. Sir, From time to time there

is complaint about government forms. My wife and I have just completed our applications for

state pension (a comfort, as I

have been paying in since August 1942)

The Anstralians have already vetoed the Antarctic

Minerals Convention. They

have been joined by France and Belgium in calling for the

Antarctic Treaty consultative

parties to negotiate an interna-tional wilderness regime for

Antarctica, which would outlaw all minerals activities.

on Antarctica as nothing but a

Cassandra Phillips, Chair, Wildlife Link Antarctic

source of short-term profit.

45 Shelton Street, WC2

The UK should be helping to negotiate an Antarctic wilderness regime - not apparently siding with those who still look

'are all children of the same parents." I should be grateful if Mr Krier could eincidate this

Euro-lesson

From Mr Neville Beale Sir, Your leader (July 29) echoes received wisdom that

"there are signs that opinion in Britain is beginning to shift" towards closer European inte-gration than the UK Prime Minister is supposed to favour. How do you explain the fact that two thirds of the British electorate did not vote on June 15 — and the "pro-European" SLDP and SDP did worst of all? It is difficult to avoid the conclusion that the European

elections were, in the UK at least, a mid-term protest vote relating primarily to domestic issues. The main beneficiaries of new votes were the Greens, although the Lahour Party picked up the extra seats. Neville Beale, Flat 20, Chelsea Towers,

Gerald Tew, Roehampton, SW15 Chelsea Manor Street, SW3

'English grammar is easy'

NAKBAREP

From Mrs Freda Zoeteweij Sir, Mr Nicholas Dale (July 1) makes some cogent points in his defence of the teaching of grammar and standard English I hope that his letter will be given serious consideration by the decision-takers.

The Department of Social Security has taken a great deal

of trouble about the layout and

language and is to be congratu-

Grammar is easy, as are most disciplines based on a set of rules; it can even be fun. One should never underestimate a young child's ability to learn. I entered my first (Froe-bel) school at the age of 6%, and left 4% years later with not only a thorough grasp of English grammar, but also a good grounding in French and Latin grammar. I was neither a genius nor a swot; in those

days this was considered par for the course at a reasonably competent private school where teachers actually

taught.
Children from educated homes will always learn to speak and write correctly -their parents will see to that. Why handicap the less fortunate youngsters, and especially the children of immigrants, by unnecessarily depriving them of this simple tool? Such a move will only perpetuate class distinctions Freda Zoeteweij, 7 Chemin Bouchattet, 1291 Commugny,

Time for new thinking about Guyana

From Mr Cheddi Jagan. Sir, Twenty years ago (Octo-ber 30, 1969) you carried a spe-cial supplement on Guyana It did not mention that, earlier that year, Granada TV stated:
The newly re-elected Prime Minister of Guyana, Forbes Burnham, arrives in London today (January 6, 1989) for the Prime Ministers' conference. He should not be attending. As the commentator remarked, the 1968 "elections were nei-

ther free nor fair". Instead, your supplement painted a glowing picture of -Burnham's government. Its beadlines read: "Era of lasting changes;" "Guyana is a South American investor's paradise;" "Economy concerned with employment prospects," Rice: Guyana's white gold," "The indies' rice bowl;" "Major sugar producer," and so on.

In your 1989 survey on Guyana the headlines read: "Downturn in sugar as rice crop falls," The pain of trying to achieve economic recovery;" "An economic about turn;"
"Mr Hoyte puts a stop to the reign of terror;" "Danger that IMF medicine might prove too

After referring to President Hoyte's designation of austerity pain as akin to "purgatory before paradise," Canute James concludes: "Guyanese – and not only the cynical may, equally understandably, fear that paradise would be indefinitely postponed."

Further, Ivo Dawnay and Canute James state: "The pos-

sthility - many would say certainty - is that if the polls were impeccably conducted, he (President Hoyte) and the PNC

an outcome - unlikely to be welcomed by the US and UK whose dislike of Dr Jagan's out-dated Marxist rhetoric is well-known - might also arguably signal this young country's final coming of age."
Your writers mar excellent

stories with stereotypes about the People's Progressive Party (PPP) and mysalf. What is needed is new thinking about

It was cold-war thinking that caused the acceptance of L.F.S. Burnham as the "lesser of two evils," despite the view of him set out in Arthur Schlesinger Jr's book, One Thousand Days: John F. Kennedy in the White House: "Thus far (May 1962), our policies had been based on the assumption that Forbes Burnham was, as the British described him, an opportunist, racist and demagogue, intent

only on personal power. Is it any wonder that Guy-ana is a disaster and a liability to the Caribbean community and the rest of the world? In the interests of the peo-

ples of Guyana, Britain and the US, what should be fostered is not East/West confrontation and ideological stereotypes, but détente and a live-and-letlive policy. So far as the PPP is concerned, it has for more than a decade embraced "winner-does-not-take-all" politics; if it wins an election, it alone will not form the government; it will form a multi-party, multiracial Patriotic Coalition for Democracy (PCD) government, which it will not dominate. Cheddi Jagan, People's Progressive Party, Freedom House, 41 Robb Street,

Lacytown,

FOREIGN AFFAIRS

A baptism of fire for Mr Major

Robert Mauthner argues that the EC is likely to make or break the UK's new Foreign Secretary

in the longer run for two reasons. The poor showing by the Conservatives in the recent elections to the European Parliament bas underlined the Prime Minister's vulnerability on European matters, as has the reaction in the party and Parliament to the reshuffling of Sir Geoffrey. While she can certainly not be expected to change her fundamental opposition to projects like European monetary union, it is reason-able to suppose that Mrs Thatcher will make some effort to accommodate the growing anxiety within the Conservative-Party and the electorste

prohably true in the sbort term, could prove to be wrong in the longer run for two rea-and negotiating skills will be severely tested in the coming months on the European front. President Mitterrand, who has taken over the European Community's chairmanship for the next six months, has already made it clear that be intends to move full steam ahead towards monetary union. He has emphasised in a widely publicised interview that, while he is not in favour of progressing towards that goal without Britain, he does not accept that one or two countries should be able to block the whole pro-cess. He thus intends to use the procedure of an inter-gov-

British foreign policy will be severely tested in the coming months on the European front

about the direction that Euro- . ernmental conference and pean policy has been taking. The second reason why more optimism might be in order is that having, at last, reshuffled her Foreign Secretary, Mrs Thatcher is unlikely to do so again before the next general election, due to take place at the very latest in the summer of 1992. That gives Mr Major, who has the reputation of speaking his mind when necessary, more room for manoeuvre than might be supposed. His personal views on European integration are hardly known, though they are said to be close to those of the official Treasury position, which favours UK membership of the EMS while opposing the more

advanced stages of European monetary union such as a com-mon Central Bank and currency.
What is certain is that Britmajority voting to ensure that monetary union continues

beyond its first phase.

Whether he will get his way
is not yet certain. But it is already clear that the situation contains all the elements of a damaging crisis, including the explosive component of an Anglo-French clash over Mr Mitterrand's threat to link the liberalisation of French capital movements to satisfactory progress towards monetary

Britain, of course, has had rows with its Community partners hefore, but even the most virulent disagreements have always ended in compromises. What makes the looming battle over monetary union more dangerous than usual is the implications it bas for the whole future development of the Community and particu-

larly Britain's part in it. For the implied threat in Mr Mitterrand's remarks is the creation of a two-speed Commu-nity in which Britain would be relegated to the slow track and second class status. If that happens, it might oever be able to

pens, it might oever be able to catch up the rest.

The temptation for the new Foreign Secretary, particularly given the strong personality of the chief policy-maker and his own inexperience, will be to approach the forthcoming negotiations without sufficiently questioning the basic teoets of Britaio's policy on European integration. European integration.

He will be presented with endless hriefs on how to thwart the Freoch in their dastardly plans to foist on the other member countries plans for monetary union which would undermine their national sov-ereignty. But Mr Major should beware of giving precedence to tactics over strategy, for it is the lack of a broader view thet has so often created difficulties for Britain in its relations with other EC members and which could prove to be a terminal failing if not rectified very

Britain can remain credible in the eyes of its EC partners only if it can offset its negative attitude to present plans for monetary union with constructive alternative proposals. It cannot just say "no" to every proposed further development of the Community and pretend that the completion of the internal market is the be-all and end-all of European integration. Just like any national government, the Community has to have long-term objectives and a programme to maiotain its dynamism and ensure its continued existence.

Quite apart from economic and monetary union, there are important areas like foreign policy and defence where European co-operation is still in its infancy and where Britain, if it were prepared to make bold and imaginative proposals, could exercise a leading role. These are both fields in which Sir Geoffrey was, if anything. too cautious rather than too bold and in which a new For-eign Secretary, once be bas found his feet, could make a considerable mark.

No doubt, more immediate and glamorous results are to be obtained in fostering and, in some cases, restoring relations with other important countries sucb as the US, the Soviet Union, eastern Europe and Japan. But, in the last resort, it is the European Community that will make or break Mr Major's reputation as Foreign Secretary. That may even be worth braving his leader's wrath from time to time. He will be in good company.

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FINANCIAL TIMES

Tuesday August 1 1989



FBI set for futures fraud swoop on Chicago traders

THE FEDERAL Burean of Investigation is set to swoop in Chicago this week, with a range of indictments against traders as part of the massive FBI probe into futures fraud.

FBI probe into futures fraud.

Defence lawyers are expecting charges against between 25 and 50 traders to be handed down on Wednesday, after a series of clandestine meetings between government prosecutors over the weekend.

The FBI inquiry into trading ahuse at the world's largest futures exchanges in Chicago, became public in late January wheo more than 300 traders

wheo more than 300 traders received subpoenas to give evidence before a grand jury.
in conducting a two-year
undercover operation into wideepread fraud among confiscate a trader's assets.

futures traders, FBI investigators poeed as hrokers and secretly recorded conversations.

confiscate a trader's assets.

Defence lawyers have strongly criticised the way the government has conducted the secretly recorded conversa-tions in the tumult of Chicago'e trading pits.

go'e trading pits.

FBI agents, operating in the exchanges' Treasury hond, soyabean, Yen and Swiss Franc trading arenas, are believed to have uncovered widespread petty fraud which could have cheated customers out of millions of dollars a year.

Some traders are expected to

Some traders are expected to be charged under the powerful Racketeering Influenced and Corrupt Organisations Act (Rico), which has been used successfully against insider trading on Wall Street. Rico would allow prosecutors to

investigation. However, their coodemnation of the use of taped evidence was overruled on Friday, when a Federal judge ruled there was nothing improper about eavesdropping in this way.

In many cases traders will be thereof for a variety of precedence.

In many cases traders will be charged for a variety of practices that had become so deeply ingrained among the futuree community, they did not know they were doing wrong, defence lawyers say.

"I think when you grab these people, 90 per cent of them don't know what they did," says Mr Edward Genson, at

Chicago law firm Genson, Steinback & Gillespie. "They don't really think they were defrauding anyone."

The FBI has cited a variety of trading abuses. In almost ali cases a broker would tamper with a customer's order to his own advantage. Often brokers would arrange for a colleague to benefit from a trade in order

to benefit from a trade in order to help him pay for trading errors at the end of the day. Many independent traders criticise the practice in the futures pits, where exchange clearing houses force traders to make good their own errors at the end of each day. This can tempt traders to make up any shortfall by manipulating cus-

"These were practices where the exchange would maybe levy a \$5,000 (£3,125) or \$10,000 fine," says Mr Genson, "and now suddenly people will find themselves going to jail for it."

The use of dual trading in futures — where a broker can trade for himself as well as for his customers — has heen severely criticised in the wake of the FBI investigation. Congress is even considering a total ban on dual trading in busy futures contracts. busy futures contracts.
The FBI indictments will

obahly affect some powerful hrokers in the industry, and could shake confidence in Chicago's futures markets at a time when the exchanges face controversy on many sides.

China offers

guarantee on

independence

CHINA'S foreign minister yesterday raised hopes of progress in the Cambodian peace talks with a conciliatory speech which offered to guarantee Cambodia's future status as an independent, neutral and non-aligned nation.

China has been the main

China has been the main backer of the Khmer Rouge, which forms part of the Cambodian resistance coalition led by Prince Norodom Sihanouk and is probably the most effective.

and is probably the most effective fighting force in Cambodia, but the presence of which has been one of the main obstacles to a settlement.

Mr Qian Qichen's speech to the international conference on Cambodia in Paris yesterday carabully avoided any direct

carefully avoided any direct reference to the Khmer Rouge, led by Mr Khieu Samphan. He

Cambodian

By George Graham in Paris

Publishing the Maxwell case

Maxwell Communications has been such a bad investment for so long that the question of re-rating was bound to crop up eventually. The proposition is that MCC is about to emerge with net debts of £1.5bn and ehareholders' funds of £1hn, ehareholders' funds of Elhin, and with prospects in publishing wholly at odds with a below-average market multiple and a yield of nearly 10 per cent. With 80 per cent of sales and profits coming from North America and an ADR listing on the way, the shares will attract US investors more familiar.

eration. Various UK companies from ADT to Blue Arrow have made a fresh start with US made a fresh start with US investors and prospared accordingly. The performance of the US assets seems impressive; latest figures from the retained bits of Macmillan suggest profits growth over the past two years of 50 per cent compound, and there is the promise of flotation of the McGraw Hill/Macmillan educational joint venture late next year at a total value of up to \$30m.

iant future. But the market has yet to learn to trust Mr

led by Mr Khieu Samphan. He focussed instead on a fulsome tribute to Prince Sihanouk.

The Chinese foreign minister undertook "to cease military assistance to the Cambodian parties" following a comprehensive peace settlement and the full withdrawal from the country of the Vietnamese troops who have supported the government of Mr Hun Sen.

He welcomed Vietnam's decision to pull its troops out by 21 September, hnt insisted that the withdrawal must be comthe withdrawal must be com-

Prince Sihanouk said China was the key to a solution to the Cambodian question. "China can do a lot," he said. Mr Nguyen Co Thach, Vietnam's Foreign Minister, responded to the Chinese over-

lete and genuine

ture in a conciliatory fashion, opening the way for a possible agreement on a role for the UN in an international control mechanism and peace-keeping force to monitor and enforce an eventual Cambodian peace settlement.

Vietnam and the govern-ment of Mr Hun Sen have pre-viously rejected a UN role because it recognises Prince Sihanouk's coalition as the representative of Cambodia. "For Vietnam, the UN will be welcome to play a role when

it has stopped supporting one party to the detriment of the other in the Cambodian prob-lem." Mr Thach said. UN officials are preparing an emergency fact-finding mission

but are worried about the diffi-culties of setting up proper mechanisms before the Vietnamese withdrawal starts. Mr Thach said he was confident that an overall Cambodian agreement could be reached since there was now a

convergence of views on the essential points. "The divergences existing between us are large, but they cover certain concrete probems within the fundamental convergences, or they are

divergences, or they are divergences on the means for achieving the fundamental points of agreement," the Vietnamese foreign minister said.

Mr Qian beld lengthy hilateral talks with both Mr John Major, the new UK Foreign Secretary, and Mr Jamee Baker, the US Secretary of State, prompting speculation State, prompting speculation that Western nations were already moderating the ban on high level contacts imposed in June after the Tiananmen Square repression in Peking.

recently at \$2.2bn. Last year, Berkshire Hatha-way spent \$593m to add Coke to its small hut productive group of publicly quoted investments, which include Capital Cities/ABC, the media group, the Washington Post Company and GEICO, an

grown on overseas

Maxwell

US investors more familiar with the name of Macmillan than they are with Mr Maxwell'e style.

The last bit deserves considerated with the style.

\$3bn.
On closer inspection of yesterday's 15-month figures, the picture becomes murkler. The collapse in earnings per share is as expected, but the composition of profits is not. It is disconcerting that before property profits and various quasiexceptionals, pre-tax profits for 15 months are lower than for the previous 12; and that despite some \$4bn spent on acquisitions during the period, the net interest charge is shown at only £17m.

shown at only £17m.

As to the pro-forma balance sheet, there will apparently be no goodwill write-off for either Macmillan or OAG; so the net worth of £1bn should be measured against intangibles of over £1.7bn. It is still perfectly possible that MCC has a brilliant future. But the market Maxwell, and will need more evidence before its conversion.

Markets

The next move in Fed funds will be down: that much is clear. However, the market has got so carried away with the one way bet that it confidently expects a full percentage point fall in Fed funds over the next month or so. It is far from clear whether the Fed will choose to deploy such anti-recessionary tactics, especially when all the evidence still points to pleas-antly subdued growth this year

Communications FT-A All-Share index

of 1.5 to 2 per cent. Unless Friday's employment figures are woefully weak the Fed will

woefully weak the Fed will have little reason to ease at once. And if, on the other hand, the figures show even the smallest signs of economic resilience, there could be big losses in the bond market.

The picture presented by the markets overall is getting somewhat confused. The drop in the long bond to below 8 per cent suggests a humpy landing is on the way, but in that case. Wall Street has no business to be trading just 3 per cent short of its all-time record. Even the dollar seems to have a life of dollar seems to have a life of its own. The fall in rates may have hrought its rally to an abrupt end, but does not indi-cate the start of a bear market. Given the strength in US exports the dollar does not seem fundamentally over-vaiued; and even after yesterday's
plennig fall against the DM,
it is merely back to where it
was before its early summer
rampage. The currency still
has plenty of admirers — then,
the early between US and West the gap between US and West German interest rates was about 3.5 per cent; now it is less than 150 basis points.

Judging by the 12 per cent rise in LWT's share price yes-terday, the stock market thinks everybody wins a prize in the company's latest game show, otherwise known as the partial management huy-in. Shareholders get 150p per share cash, while keeping most or 50 senior executives end up with 10-15 per cent of the company for about fam: and the creative zeal engendered by their new owner-manager sta-tus ensures that LWT keeps its franchise after 1992.

As a means of putting a highly cash-generative com-

pany's cash back in investors' hands, the device has some appeal LWT will have to borappeal LWT will have to borrow about £100m to make the 150m special payment, but servicing that should be no problem for a company with gross cash flow of maybe £33m for 1988-9. But enthusiasm should be kept within bounds. Loading LWT with deht will make it an unlikely bid target at a time when the Thames/Carlton talks have helped ont hids when the Thames/Carlton talks have helped put hids hack on the sector agends. And while yesterday's announcement was far too skimpy for investors to make sense of the situation, an ohvious issue is the fairness or otherwise of the terms on which LWT employees will dilute other shareholders' interests.

BT/Tymnet

When it comes to overseas acquisitions the stock market is understandably sceptical is nnderstandably sceptical about British Telecommunications' ability to spend its huge cash flow sensibly. Like British Gas, it is regarded by some as a plodding giant with a hig cheque book which the locals can see coming. The 1986 Mitel acquisition was ill-judged, and BT ahares have underperformed the market by more than a fifth since it agreed to buy its way into the loss-making US mobile phone business via a minority stake in McCaw. Its latest move — the \$355m Its latest move - the \$355m acquisition of Tymnet - is far less controversial, but still raises the question of whether BT would not be better hand-ing the money back to share-bolders.

The businesses BT is buying fit far more neatly into a telecommunications group than an aircraft manufacturer, and while a price equivalent to more than a third of annual sales might seem pretty steep, it is nothing compared with the multiple of over 20 times revenues paid for McCaw. At least the Tymnet operation is profitable and BT gets a foothold in the US corporate data network merket But as with network market. But as with mobile phones, where BT mtends to be one of the leading global players, the future is highly uncertain.

BT is in an unfortunate posttion. Its monopoly in the UK is being steadily eroded, and of the few avenues for long-term growth. However, none of the recent moves promises a quick payback, and the market might be more sympathetic to the grand design if BT used some of its surplus cash to huy back its shares instead.

Georgia's summer of discontent Quentin Peel analyses resurgent nationalism in a Soviet republic

UMMERTIME in Soviet Georgia should be a time of holidays, sunshine, wine and watermelons. Tourists flock into the his-

toric streets and churches of Tbilisi and crowd the heaches of its Black Sea resorts from every part of Eastern Europe and the Soviet Union. They come for the renowned hospitality and good nature of their Georgian hosts, in stark contrast to the grim reality of consumer shortages and economic rast to the grim reality of con-sumer chortages and economic dislocation in their daily lives. Instead, this snmmer in Georgia, it is a time of both elation and despair, with tour-ists caught in the middle. Half the boliday resorts on the Black Sea have been shut

the Black Sea have been shut down by vicious race riots in Sukhumi and the surrounding villages. The death toll is at least 17, and more than 400 are wounded in hospital.

Big caches of arms and explosives have been seized by Soviet police, as they struggle to impose a ceasefire between armed gangs of minority Abkhazians and the majority

Georgian population.

Back in Tbilisi, the city is in a state of byper-tension.

Nationalist passions are running at an extraordinary level, combined with deep depression about the killings in Abkhazia, and at the destruction of the good name of the Georgian

Never in recent years have Georgians seemed so united in their determination to regain independence from their huge Russian oeigbbour. It seems impossible to meet anyone in the streets who is not convinced that it is only a matter of time.

Yet equally the sense of impending disaster is palpable. Placards are posted every day afresh along the columns of Rustaveli Avenue in central Tbilisi: "Russian occupiers go home!" or "Loog live complete freedom in Georgia!" They make no pretence at anything

The upsurge in national unity dates above all from April 9, when Soviet troops with sbarpened spades and toxic tear gas crushed a national demonstration in

Lenin Square, leaving 20 dead. Where before the nationalist movement was dominated by dissident informal groups, it has now united almost the entire intellectual establishment. Already at the end of March, the officially-sanctioned Rustavelí Society, dedicated to Georgia's cultural heritage, had been taken over hy open supporters of the nationalist



Thousands of Georgians join a funeral procession for victims of clashes between demonstrators and troops in Tbilisi, capital of the republic, which left 19 dead

In June, a Georgian Popular Front was finally established, along the lines of sister move-ments in the Baltic republics. Its praesidium is dominated by the intelligentsia. But its 50,000-strong membership is rapidly drawing in the young people who have turned their backs on the ruling Communict Posts.

rist Party.

Then on July 15 disaster struck. The Abkhazian minorly living between the Black Sea and the Caucasus mountains amountain in the Caucasus mountains. tains, apparently incensed by Georgian nationalism, struck back with a furious attack on Georgians. Claiming years of linguistic and educa-tional discrimination, they attacked the university campus in Sukhumi which had just declared itself part of Thilisi

University. Mobs armed with pistols and semi-antomatic weapons roamed the villages, set up road blocks, and beat up any passing Georgians. The majority struck back with hunting guns and sticks, and full-scale war was stopped only hy the intervention of 3,000 Soviet

When a majority sets out to massacre a minority, it is geno-cide," a Georgian doctor said. decides to massacre the major-ity? It is terror."

There is no doubt the Georgians are convinced they are the injured party, and most of the victims in Ahkhazia have been Georgians. They are also convinced that the unrest has deliberately . pro-

voked - hy Moscow.
"The Soviet Union wants to punish the Georgian people,"

says Mr Zviad Gamsakurdia, leader of the St Ilya Society and the most respected leader of the dissident nationalist movement. "The Kremlin wants to take this territory from Georgia and give it to Russia. They want to force the Georgians to leave. And thou-sands are leaving, especially the children."

The most reasonable and civ-Ilised Georgians are convinced of the threat.

"They are planning genocide to force the Georgian people to leave," says Professor Nodar Natadze, chairman of the Popular Front. "They are armed. We are sure they are armed hy the anthorities. They have machine guns and grenades. The Georgians have only hunting guns." Every time there is an

upsurge in Georgian nationalism, he says, there is counter-action in Abkhazia. Against this background of rising national passions, the ruling Communist Party in

Georgia appears increasingly The last party leader, Mr Dzhumber Patiashvili, resigned in disgrace after the April mascre. In an ominous indication

of the passions aroused, his

bodyguard was lynched outside

The new party boss, Mr Glvi Gumbaridze, is a close associate of Mr Eduard Shevardnadze, the Soviet Foreign Min-ister, and one of Mr Mikhail Gorbachev's closest allies in the ruling Polithuro.

Everyone seems to agree that the Communist Party is now doing little more than react to nationalist initiatives.

essure and we force him. Mr Gamsakurdia claims, The more moderate leaders of the

Popular Front agree.
As in the Baltic republics, the Party is now moving steadily towards the national movements in an effort to regain the initiative.

Mr Gamsakurdia dismisses the move as irrelevant. It is nonsense. Without political independence, how can we be economically independent?" he

asks. For now, the overriding ambition is to have open elections for a new republican par liament - the Georgian Supreme Soviet.

A thoroughly moderate and respectable organisation. Democratic Elections in Georgia, has been set up to ensure just that. But even campaigning for an open election is a political decision. Nobody doubts that the Communist Party will come in for an awful drubbing. On the other hand, the feeling of united national resolve which greeted the April massacre is now in danger of disintegration. A multitude of national movements have been established, and the threat of new race rlots with ethnic

minorities has caused alarm and confusion. Mr Gamsakurdia is convinced it is deliberate.
"Gorbachev is a democrat in Moscow, but he is a chanvinist. an imperialist, in the repub

lics." he said. "Now the only argument of the Communists is military power. Peaceful power cannot fight against us.

"Maybe here the Commu-nists will create anarchy just

"When he acts, he acts under to keep power." Interior Minister proposed as Polish PM

By Christopher Bobinski in Warsaw

GENERAL Czeslaw Kiszczak, the Polish Interior Minister, has been nominated as the country's next Prime Minister. Gen Kiszczak for years repressed Solidarity, but In recent months conducted a successful dialogue with the movement.

The candidacy of Gen Kiszczak, who headed the official side in the reconciliation talks that paved the way for partly free elections, is expected to be announced today to the Sejm, or lower house of parliament,

where he needs a simple majority. The 63-year-old minister has been endorsed by his fellow Communiste and he was yesterday taking soundings among two Communist-allied groupe, the Peasant and

then form a Government which will in turn need approval from the Sejm, where the Communists and their allies have a huilt-in majority, with

Democratic parties, whose support he will also need. Once his own appointment has been endorsed, he must The Fund is looking to

Poland to reduce consumption ae part of an adjustment programme tied to standby shops in an attempt to stock np hefore food prices rise

> Gen Kiszczak, who came to his police post from military counter-intelligence, and who was always seen as Gen Jaruzelski's ally in a hostila

Parliament_ Gen Kiszczak has never disclosed his viewe on the way Poland's economy should he managed, but he won Solidarity's grudging respect as chairman of round table

talks on Poland'e future this pring. Officials of 24 western industrialised countries will today meet to discuss ways to bolster political and economic reforms in Poland and Hungary, Davld Buchan reports from Brussels.

The meeting, convened by the European Commission and including virtually all member countries of the Organisation for Economic Cooperation and Development (OECD), constitutes the first concerted Western overture to Eastern Europe since the latter region refused Marshall aid from the US at the outset of the Cold War some 40 years ago.

But today's meeting is not expected to make any dramatic pledges of new aid, heyond those already made, chiefly by the European Community and the US, of food aid to Poland where food price controls are also to be removed today.

Buffett moves on Coca-Cola Continued from Page 1

Insurance company.
Since then, Coke stock has

risen hy over 50 per cent as profits at the Atlanta company have

Decisions. Decisions. Decision In the international arena, they can take forever. So while you're sitting on the sidelines twiddling your thumbs, your competition is

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WORLD WEATHER

299 seats to the opposition's The Seim yesterday debated legislation automatically linking wage rises to increases in the cost of living, a move which could accelerate wage inflation and upset the International Monetary Fund.

Poles were flocking to food

Rises of 200 or even 300 per cent are expected as the first stage of a plan to liberalise the processing and sale of food goes into operation.

security apparatus, also had a a 45-minute meeting yesterday with Mr Bronislaw Gremek, the Solidarity leader in

The main aim, say Commission officials, is to coordinate western countries' existing hilateral economic and commarcial projects with Warsaw and Budapest, and possibly to encourage the involvement of wealthy potential donors like Japan.





FINANCIAL TIMES COMPANIES & MARKETS

Tuesday August 1 1989



INSIDE

Delay likely for NTT share issue



Nippon Telegraph and Telephone, the large Japanese telecommunications compeny, has already seen its imege and share price seriously damaged by the Recruit bribery scandal. NTT's former chairman, Mr Hisashi Shinto (left), and two other former directors were indicted on charges of accepting

bribes from Recruit group companies. Now, it is widely believed in Tokyo that the government will postpone the sale of the fourth tranche of its shares in the company, which is due in the autumn. Michiyo Nakamoto reports.

All-round growth at Siemens

The favourable economic environment helped Siemens, the West German electrical and electronics group, to achieve growth in nearly every sector end country. In the nine months ended June 1989 net profits rose 12 per cent to DM1.08bn (\$570m) and new orders accelerated enarphy. The company has elready hinted that a dividend increase is likely for 1988-89, last year'e pay-out having been kept unchanged at DM11 a share. Page 18

Tiny bid, larger questions



Today is the first closing date for the hostile offer for Red Funnel Group, which operates the Southampton-isle of Night ferry service, from Saily UK Holdings, which runs the Ramsgate-Dunkirk ferries, For

now, Red Funnel's chareholders ere expected to Ignore the approach. But if Sally lifts its offer, the tiny bid should raise some much larger questions, testing local loyalties end pitting old egainst new. Page 23

Hard-fought gold rush.

The Philippines is already the world'e sixth targest gold producer, and it is believed to have large untapped deposits, particularly on the island of Mindanso. But — such are the rivalties between the miners seeking to exploit the resource - tapping this potential will require government regulation of the industry, writes Richard Gourley. Page 24

Record highs around the world



1.04.5

Corporate results were responsible for some of the sherpest rises and falls in equity markets last strong half-year figures sent Switzerland up 3.8 per cent and poor secondquarter profits from

gered a 3.8 per cent drop in Norway. Equities generally had e solid week, with record highs cropping up around the world, and notably in the US and Japan.

Market Statistics

Base lending rates
Benchmark Govt bonds
European options each
FT-A indices
FT-A world indices
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Financial futures
Foreign exchanges
London recent issues

London share service London traded options London tradet, options 32 21 32 New int. bond issues World commodity prices World stock mkt indices

Companies in this section

	Windlacu Consorr
ł	Applied Holographic
i	888 Design
ı	Bank of Ireland
Ì	Blacks Leisure
ı	Bond Corporation
ı	Chrysler
1	Coox-Cola
Ī	Crystalate Holdings
1	Elders IXL
I	Excalibur Group
1	Excalled Group
1	Ford Sellar Morris
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AC Holdings

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BT pays \$355m for McDonnell businesses

BRITISH Telecom has agreed to pay \$355m to McDonnell Douglas, the US aerospace company for its data communications and val-

ue-added services businesses.

These businesses, which are centred on the Tymnet public data network, will make BT one of the leading providers of data mmunications services in the US to add to its dominant posi-tion in the UK data communications market.

The purchase is the latest step in BT's strategy of expanding into high-growth markets over-

As the UK Government's policy of encouraging competition in its home market has begun to bite, BT has felt an increasing need to look to other markets to maintain expansion. Its most aggressive move in

this direction was its decision earlier this year to pay \$1.4bn to buy a 20 per cent stake in McCaw, a loss-making US cellu-lar communications business. The Tymnet acquisition is signifi-cant because, apart from mobile communications, data communi-cations is the fastest-growing sec-tor of the telecoms market.

Tymnet runs the US's second largest public data network with about 30 per cent of the market. This allows computer users to send each other data over the

1.4

public network. The businesses to be bought by BT also have about 10 per cent of America's electronic mail and electronic data interchange markets.

In addition, they manage private data networks on behalf of large corporations and run credit card authorisation services. BT intends to integrate Tym-

net with Dialcom, its existing US data communications business which specialises in electronic mail services. It also hopes to be able to cross-sell its other telecoms products and services to Tymnet's customers, which include 30 of America's top 100

The businesses being acquired have annual turnover of around \$250m and are trading profitably, although BT will not reveal exact attrough B1 will not reveal exact figures. The group employs about 1,500 people and is headquartered in San Jose, California. McDonnell, which recently amounced another set of disap-

pointing profits despite record sales in its civilian aircraft sub-sidiary, also put up for sale yes-terday its North American field service group, a husiness which provides computer maintenance to outside customers on a contract basis.

The company said it was soliciting bids through Lodestar Group, a Wall Street investment

bank, and hoped to announce a sale before the end of the year. Last June, McDonnell sold its relatively small TeleCheck, e check-verification business used by retail merchants.

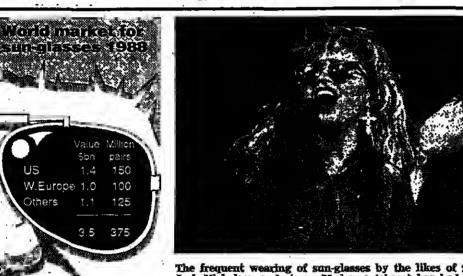
The remaining parts of McDon-nell's information services busi-nesses will also undergo exten-sive reorganisation under the plans announced yesterdey. Information Systems Interna-tional, a worldwide computer services and consultancy husiness with annual revenues of \$400m, will move its headquarters from the US to London.

While McDonnell's move was not unexpected, it represented another reversal for the diversification stretegy the company hegan in the late 1970s, in response to faltering demand for its aircraft.

The one computer-related bus-iness McDonnell seems deter-mined to keep after yesterday's announcement is its Systems

This business had revenues of \$300m last year and specialises in computer aided design and mann-

facturing.
Mr John McDonnell, the company's chairman, said that Systems Integration would enjoy an "increased commitment" after yesterday's restructuring, Lex, Page 16



The frequent wearing of sun-glasses by the likes of film star Jack Nicholson and singer Madonna (above) has had a strong impact on sales since the mid-1980s

The stars come out and the sun-glasses go on

Alice Rawsthorn explains how up-market designer products have left mass-market rivals in the shade

uring the sunny spring and summer of 1989 a weighty dossier on Foster Grant has wended its way around the desks of the senior executives

of corporate America.

Foster Grant is up for sale. Ostensibly it should be sold at a high price. Foster, is, after all, one of the best known names in the global market for sun-glasses. And sales of sun-glasses have soared throughout the world in

Most of the other major manufacturers — Bausch & Lomb of the US, Vuarnet of France and Optyl of Austria — have enjoyed booming business. But Foster has floundered. Whereas Bousch, Optyl and Vuarnet specialise in expensive, stylish sun-glasses; Foster has struggled to compete against Asian imports in the

The boom in sales began in the mid-1980s after a number of US films featured stars wearing Ray-Ban Wayfarers, a Bausch product which was first fashionable in the 1950s. Just as the image of Marlon Brando sporting his Bausch Aviators in the film "The Wild One" stimulated sales of sun-glasses in the 1950s; so did the appearance of John Belushi Cruise in "Risky Business" in the

Sales have soared ever since. Bausch, which made fewer than 10,000 pairs of Wayfarers in the late 1970s, now churns out millions of pairs a year. The global market for sun-glasses has risen from about \$2bn in 1983 to \$3.5bn

Wayfarers have, predictably, fallen out of fashion. Yet their success ensured that sun-glasses are now seen as a fashionable product, thereby persuading people to buy a new style each year. The market has also been buoyed by practical concerns such as the risk that exposure to ultra-violet and blue light can cause damage to the eye. Earlier this summer the US Food and Drugs Administration introduced a voluntary code whereby manufacturers label their products to indicate the level of protection offered against ultra-violet light. These health scares have encouraged consumers to spend more money on sun-glasses with

more sophisticated lenses. Many people, particularly in the US and Scandanavia, have started to wear sun-glasses for protection

France and the Cadore valley in northern Italy. Vuarnet of France has expanded rapidly in North America during the 1980s. The throughout the year. One com-pany, JS&A in Chicago, has won a significant share of the North American market thanks to a single product, Blue Blockers, which blocks out blue light.

The leading lens manufacturers - Pilkington of the UK, Corn-ing of the US and Polycore of Singapore - heve invested heavily in research and development to meet the demand for

increasingly complex lenses.
All these trends have ensured that people are prepared to buy more pairs of sun-glasses and to spend more money on them. This means that, although the market has experienced overall growth, sales have grown at different speeds from sector to sector.

A glance at the trends in the US - which accounts for about 40 per cent of the world market illustrates the erratic pattern of growth. The market for sun-glasses selling for less than \$30 rose by 30 per cent from \$570m to \$742m between 1983 and 1988. Yet sales of sun-glasses selling for more than \$30 increased threefold from \$231m to \$696m in the same

The same trend has been replicated in almost every other country. The market for "designer" sun-glasses has boomed. The first collection from Jean-Paul Gaultier, the avant garde French designer, includes a pair for around \$500. The most successful manufacturers have been those concentrating on more expensive

Bausch, which is by far the biggest player in the global market for \$30-plus sunglasses, has experienced spectacular growth. It has increased its production capacity each year for the last five years and is pres-ently expanding its plant at San

Other US manufacturers, such as Tropic-Cal and Rivo, have flourished too, but their activities are concentrated in North America. Bausch apart, the most active companies in the international market are the Europeans. The European industry is based in the Jura region of

northern Italy. Vuarnet of France has expanded rapidly in North America during the 1980s. The have also established US distribu tion networks. These companies have expan-

ded ontside Europe to become global players by developing the market for "designer" sun-glasses. Optyl, which is owned by Bauer, the West German publishing group, introduced its first designer collection, for Christian Dior, 20 years ago.

t has since signed e string of other designers. Christian Lacroix, its latest line, sold more than 70,000 pairs at an average price of FFr1000 (\$160) during the first half of this year in Europe alone.
The "designer" sector is not

only the fastest growing but also the most profitable part of the sun-glasses market By contrast mass market manufacturers have struggled against slower growth and cut-throat competition from companies in Hong Kong, Taiwan and the Philippines. Drugstores and street stalls across the US are crammed with imported sunglasses costing anything from \$2

This increase in imports has dealt e devastating blow to the established US manufacturers. Some companies have beaten a retreat from the market. Foster Grant is one of the few to have struggled on. It is still the largest player in the mass market, but its share has shrunk from about 30 to 15 per cent in the last five

Three years ago Foster was sold by Hoechst, the West Ger-man chemicals concern, to Adlinger, one of the new generation of companies which specialises in buying troubled businesses and selling them at a profit.

Foster has since cut costs and switched production from the US to Mexico. But it is still struggling and Adlinger put it up for sale a few months ago. It has since received an offer and corporate lawyers are now poring over Foster's accounts. The new owner of one of the best known names in the global market for sun-glasses should be unveiled next month.

Generali in accord with Axa-Midi

By Alan Friedman in Milan

ASSICURAZIONI Generali, Italy's largest insurance group, plans extensive "colleboration agreement" with Axa-Midi, the French diversified insurance con-cern, including the formation of e joint venture insurance company to be the vehicle for acquisitions in the sector.

The Generali-Axa/Midi accord comes after nearly two years of uncertainty, hostility and law-suits between the French and Generali, which has been building up a shareholding in Compagnie du Midi.

Generali began buying Midi stock in 1987, and said yesterday that it now holds 16.2 per cent. It is believed that Lazard Frères, e prominent shareholder in Generali, as well as an ally and adviser, may hold additional Midi shares.

Midi shares.

Axa, which is chaired by Mr
Claude Bébéar, agreed to ally
with Midi in April last year to
try to stop Generali from winning effective control of Midi.
The 1988 Axa-Midi merger gave
Axa a 28.6 per cent stake in
Midi, diluted the General shareholding and raised the cost of holding and raised the cost of any further purchases by Gener-

In July 1988, Generali was given permission by a Paris tri-hunal to raise its Midi stake above 10 per cent, And Mr Enrico Randone, the 77-year-old Generali chairman, has been able to play off Mr Bébéar and Mr Bernard Pagezy, Midi's chair-man since 1975, against each

Five months ago Mr Bébéar emerged as the victor after a struggle with Mr Pagezy for con-trol of Midi; then Axa won a dominant position on the Midi

Generali also won two board

Mr Bébéar said at the time that Generali was "an extremely interesting partner, and we can do great things with them."

Generali said yesterday that last Friday Mr Bébéar met Mr Randone et Generali headquarters in Trieste to iron oot the joint venture plan. Details were scarce, but the

Italian insurer said that the two companies had agreed to finalise an accord based on "a reciprocal relationship" that would reflect both companies being large shareholders in Midi. The Bank of France has also

been involved in the Midi saga. Last month the French central bank gave Generali until next year to decide whether it would raise its Midi stake to a threshold of 33 per cent.



Robert Maxwell yesterday welcomed Sofigen's announcement

Sofigen questions sale of Crosfield

By William Dullforce in Geneva and Andrew Hill and Raymond Snoddy in London

DE LA RUE, the British banknote and security printer, last night faced mounting difficulties with the proposed £235m (\$387.7m) sale of its Crosfield Electronics subsidiary when its second largest shareholder, Societe Financiere de Geoeve (Sofigen), expressed doubts about the deal.

Sofigen, which holds about 4.3 per cent of De La Rue, is likely to vote for an adjournment of Thursday's extraordinary meeting, called to epprove an offer for Crosfield from Du Pont, the US chemicals group, and Fuji Photo of Japan.

A vote for adjournment would back Mr Rohert Maxwell, the publisher, who has asked that Thursday's meeting be adjourned to allow further discussions to take place between De La Rue and Scitex Corporation, the Israe-li-based company which has indi-cated that it might be prepared to offer £255m to £265m for Cros-field. Mr Maxwell's Mirror Group Newspapers owns 27 per cent of

Sofigen, the Geneva-based investment arm of Mr Carlo De Benedetti, the Italian industrialist and financier, said yesterday that it was "at present sympathetic to" adjournment, to allow all alternatives to the agreed deal with Du Pont and Fuji Photo to be "fully considered and evalu-ated".

Mr Tony Kirk, Sofigen's man-aging director, said "several par-ties" had been meotiooed as interested in Crosfield and Sofigen was not convinced that all

the alternetives hed been explored. The group believed that all steps should be taken to max-

imise the value of Crosfield to the De La Roe shareholders.

The contract with Du Pont and Fuji Photo required shareholder approval by ebout September 1, approval by esout September 1, so that there was time for the De La Rue management to examine alternatives, Mr Kirk said.

De La Rue, Du Pont and Fuji have all warned that a delay might jeopardise the original deal

Mr Maxwell yesterday wel-comed Sofigen's announcement, but conceded that it would be a very narrow vote. The publisher

said he might consider legal action if he failed to win an adjournment. Mr Peter Orchard, De La Rue's chairman, said he was disap-pointed with Sofigen's decision and believed the company had

made a mistake. Scitex recently bought 6.1 per cent of De La Rne. Mr Maxwell himself owns 15 per cent, while Sofigen had built up a 5.1 per

cent stake.

Last week Sofigen sold some of its De La Rue shares to bring its holding below the 5 per cent level in what was seen in Geneva as a move to enhance its freedom of

manoeuvre. Sharebolders with 5 per cent or more are obliged to keep the com-pany and the stock exchange informed of changes in their

holdings.
But Sofigen retains 5.1 per cent of the voting rights during the

current accounting period.

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INTERNATIONAL COMPANIES AND FINANCE

Maxwell's media group in top 10

MR ROBERT Maxwell, the UK publisher, appears to bave lost his taste for getting bigger for its own sake – eveo if it does mean he will never be able to catch his old rival Mr Rupert Maxwell has been appeared by the catch his old rival Mr Rupert

catch his old rival Mr Rupert Murdoch, chief executive of the UK's News Corporation.

"As I get older, higger doesn't really matter, it is the bottom line. We are very happy with the kind of succulent mergins puhilshing throws off," Mr Maxwell said yesterday, anoouncing the latest financial results from Maxwell Communication Corporation. But while MCC's pre-tax profits reached £192m (\$307m)

Overseas

Schering

By Andrew Fisher

side boosts

The company repeated its forecast that group earnings would show a double-digit

increase this year. Turnover in the first six months was 16 per

cent higher at DM3.2bn, the

main impulse coming from abroad, where turnover was np 18 per cent to DM2.5hn.

in the 15 months to the end of March 1989, compared with £166m in the 12 months of 1987, the hottom line showed a sharp drop in earnings per share. These totalled 24p, in the wake of a large 1987 rights issue, compared with 26.7p for 1987.

For the moment, Mr Maxwell seems happy to have scraped in — et the lower end of the league table — as one of the world's top 10 media companies through his purchase of the hottom line showed a sharp

nies, through his purchase of Macmillan, the US publisher, and Official Airline Guides, for a total of \$3.35bn. "This gives our group the freedom of manoeuvre needed to make further strategic acquisitions should the oppor-

still like to take Maxwell Comstill like to take Maxwell Com-munication Corporation to fifth or sixth place in the inter-national media league table. Mr Maxwell forecast that by the end of this financial year -March 1990 · MCC would be a purely publishing and commo-nications business, after selling the last of the printing and non-core businesses for around non-core businesses for around \$1.4bn. By then, the overall group debt would have dwin-dled to £1.5bn, net of all disposals and repayments.

tunity arise," said Mr Maxwell.
Group sales were £1.39m for
the 15 months, compared with
£884.1m in 1987. The total dividend for the period will be 18p - an annual 14.4p compared with 14p in 1937.

Mr Maxwell has also confirmed that Mirror Group Newspapers of the UK would be floated on the London Stock

be floated on the London Stock Exchange this year or next spring. His planned new newspaper, The European, would be launched in the spring as a weekend title, be said, despite widespread specticism that it will ever appear.

Lex, Page 16

Montedison move on minorities

By Alan Friedman in Milan

chemicals and pharmaceuticals company controlled by Mr is planning offers worth \$1.06bn to acquire the minority NET PROFITS of Schering, the NET PROFITS of Schering, the West German pharmacenticals and chemicals compeny, jumped 21 per cent in the first half of this year to DM162m (\$86m), heiped by improved performances in Japan and in the UK agrochemicals huslshareholdings of two subsidiaries - Himont, the 81-percent-owned polypropylene maker and Erbamont, the 72-per-cent-owned pharmaceuti-

cals company.

Montedison plans an offer worth 8602m for the outstanding 19 per cent of Himont, a company formed in 1986 as a joint venture with Hercules of the US and majority-owned by Montedison since 1987. Himont, which claims 20 per cent of the world polypropylene market, made a 1988 oet profit of

\$372.9m on sales of \$1.7bn.
A value of \$459m is being placed on Montedison's planned offer for the outstand-

Domestic turnover advanced by 8 per cent to DM652m. Schering said that the rise in foreign turnover partis reflected favourable currency trends. However, the relative weakness of the D-Mark also affected raw material prices. which were, on average, 8 per cent higher. Increased tin and nickel prices affected the industrial chemical and elec-troplating divisions. However,

everage prices for Schering products were 2.6 per cent higher. In assessing the results, the company noted that a dispro-portionately large part of its husiness in agrocbemicals occurred in the first balf. Turnover here showed an 11 per cent rise to DM968m. But the pharmaceoticals division set a faster pace with a 22 per

But before he retires, the 66-year-old Mr Maxwell would

MONTEDISON, the Italian Raul Gardini's Ferruzzi group,

ing 28 per cent of Erbamont. Both Erbamont and Himont are listed on Wall Street. Erbamont reported a \$93.2m net profit in 1988 on revenues of \$942.7m.

Yesterday Montedison said it was seeking to buy out minor-lty Wall Street shareholders of Himont and Erbamont because of "the need to strengthen our capacity to compete with flexi-bility and efficiency on global It plans to offer \$47 per share plus a warrant, valued by Mon-tedison at \$2, enabling the holder to acquire stock in Mon-tedison. The offer for Erba-

\$35 per share plus a \$2 warrant to buy Montedison stock. The offers need to be approved by the Himont and Erbamont boards before being launched on Wall Street. This

mont would see the payment of

is expected in the next day or so. Terms will then be put to special committees for evalua-

tions of the offers.

The last time Montedison tried to buy out minority US investors was in last year's controversial offer for the quoted Austinors

chemicals business.

An independent committee rejected Montedison's \$35-pershare offer as inadequate, and Oppenheimer, the New York investment firm, bought a 5.2 per cent block of Ausi-mont which kept Mr Gardini from attaining full con-

Last month Montedison bought Oppenheimer's Ansimont shares. The average price paid per share to Oppenheimer. with "expenses" included, is believed to have totalled more

CanPac shares surge on bid rumours

By David Owen in Toronto

A FOREIGN-BACKED takeover bid for Canadian Pacific, Canada's second largest conglom-erate, is rumoured to be in the offing, following ebnormally beavy trading in the compa-ny's shares over the past two

Close to 10m CP shares have changed hands in this time on the Toronto Stock Exchange alone, and the Montreal-based company's stock price has risen by more than 20 per cent. By mid-morning yesterday, the stock wes trading in Toronto at C\$28%. With some 317m shares outstanding, this values the company close to

C\$9bn (US\$7.6bn).
The list of potential suitors
— growing by the minnte — is beaded by Mr Carl Icahn, the US corporate raider, and the UK's Hanson. It is likely, however, that any bid would contain et least a modicum of Canadian involvement.

While the voices of economic nationalism have noticeably subsided in the five years since Prime Minister Brian Mulro-

ney's Conservatives came to power, a foreign raid on the company that once formed the backbone of the national economy would probably be regarded as beyond the pale. CP, which made net profits

of C\$820.1m or C\$2.65 a share last year on revenues of C\$12 bn, comprises interests in a daunting assemblage of busi-nesses, from the original trans-Canadian railway network, through oil and forest products, to property and tele-communications,

London TV company plans to restructure

By Raymond Snoddy

LONDON Weekend Television, one of the big five UK independent television (ITV) companies, is planning a radical restructuring complete with e £135m (\$218m) hand-ont to shareholders, paid for by the creation of £100m in debt, and a 15 per cent stake for senior

The plan is LWT's response to the UK Government's proposals to award ITV franchises to the highest bidder above a quality threshold.

Mr Christopher Bland chair.

Mr Christopher Bland, chair-man of LWT Holdings, explained yesterday that the restructuring was designed to make the company as lean and fit as possible for the franchise

A 15 per cent stake for between 40 and 50 executives is intended as a form of "golden handcuffs" to keep the management team together through the auction.

"It's a partial management huy-in; that's what is innovahuy-in; that's what is innova-tive about the plan," said Mr Bland, who came up with the restructuring idea. "We have totally changed the financial profile of the company."

LWT, which holds the com-mercial television franchise for the London area at the

weekend, is owned by a range of financial institutions. Under the plan, which will have to be approved by share-

have to be approved by share-holders and the Independent Broadcasting Authority, exist-ing shareholders will receive in excess of 150p a share — a sum that compared with an average price of about 260p over the past six months. In eddition the existing shareholders will receive about 85 per cent of the shares about 85 per cent of the shares in the new company. The dis-tribution to shareholders will come from cash reserves of more than £40m, and £100m in

The management will sub-scribe between £3m and £4m for their new shares, which Mr Bland estimates should be worth between £10m and £12m if LWT gets a new franchise. They will be worth little more than face value if the ITV company is outbid. Lex, Page 16; London Stocks,

Wang reveals heavy losses and plans to restructure

By Louise Kehoe In San Francisco

WANG Laboratories, the US WANG Lanoratories, the us, office automation equipment manufacturer, revealed the full depth of its financial problems yesterday, announcing heavy losses for the fourth quarter and plans for a major consoli-

dation of its business.

Weak demand in the US, Weak demand in the US, coupled with pressure on profit margins in its desktop computer line, reduced fourth quarter revenues and earnings. The strengthening US dollar also affected international sales, Wang said.

As one of its cost cutting measures the company can-

measures the company can-celled its 4 cent quarterly divi-dend for the first quarter of fiscal 1990. Net losses for the fourth

quarter were \$375m, including a pre-tax restructuring charge of \$234m and a tax charge of \$30m, compared with earnings of \$13.4m last time. Fourth

quarter revenues were \$783.7m, against \$822.8m. The net loss for the year was \$424.3m or \$2.59 e share, com-pared with net income of \$92.7m or 56 cents, on revenues of \$30m, against \$3.1bm. In a major business restructuring, Wang said it planned to concentrate on four market

segments - financial services, Government, manufacturing and professional services -where it hopes that its image processing technology will be used to maximum competitive

advantage.

"We have significantly reduced our worldwide overhead costs, and reduced manufacturing capacity to a level more consistent with expected demand.

"We have also written down the value of certain assets not associated with our key mar-kets. We enter fiscal year 1990

expenses reduced by more than \$200m compared to fiscal year 1989," company representatives

Wang said it has reduced its Wang said it has reduced its worldwide workferce by more than 10 per cent over the past 12 months, and further reductions will be made during the first half of fiscal 1990. It added that it would consolidate its worldwide manufacturing operations by the end of September.

The charges are the restructuring programmes, which will also include the sale of certain businesses. have reduced Wang's net worth below the level required by its revolving credit agreements.

However, the company has

However, the company has received waivers from its bank lenders until August 10 and is negotiating for an expansion of its credit agreements.

Siemens improves on all fronts

By Andrew Fisher in Frankfurt

SIEMENS, the West German electrical and electronics group, yesterday reported brisk progress on all fronts in the nine months ended June 1989, with a 12 per cent rise in net profits to DM1.08bn (\$570m) and a rise in new orders.

"Thanks to the favourable economic environment, growth was spread throughout almost all sectors and countries," the company said. It has hinted that e dividend increase is likely this year. Last year's pay-out was unchanged at DMH a share.

The number of orders in the first nine months was 18 per cent higher than the previous corresponding period at DM47.7bn. Reflecting the buoyancy of the German economy, new domestic business surged by 19 per cent to DM20.7br after a flat performance the pravious year. Foreign orders were up by 17 per cent to

DM27bn. Although turnover was up 11 per cent at DM23bn, the full year's total will be only slightly above the DM59.4bn of 1987-88 because only one

nuclear power station order is being involced against two last year. In Germany, turnover amounted to DM21bn, with growth speeding up during the nine months to a rate of 6 per

cent.
Slemens said that new business benefited KWU, its power station subsidiary, and the telecommunications, security systems, energy and automa-tion activities. With the rise in business came an 8 per cent jump in labour costs to DM18.8bn, as the workforce rose by 11,000 to 364,000.

Dresdner Bank profits rise by 22%

By Andrew Fisher in Frankfurt

DRESDNER BANK, West Germany's second largest bank, increased group partial operating profits by 22 per cent to DM878m (\$467m) for the first half of 1989 compared with the first half of last year, with commission income showing a sharp rise and operating costs

held in check.

Partial profits exclude trading on the bank's own account. Compared with 50 per cent of

the full 1968 figure — the usual basis of comparison used by German banks – first half partial operating profits rose 9.5

per cent.
Full operating profits, for which no actual figure wes given, showed a similar gain, the bank said, after e rise in Dresdner's own foreign exchange and securities trad-ing profits.

the German economy, Dresdner said that credit advances to domestic companies increased considerably during the half year, especially for short and medium-term ioans. Lending to private cus-tomars also rose sharply, the emphasis being on longer-term credits. Total credit volume exchange and securities trad-ng profits. Wes 10 per cent higher than in the same period of last year, at DM187bn.

All these securities having been sold, this announcement appears as a matter of record only.

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28th July, 1989

INTERNATIONAL COMPANIES AND FINANCE

Chrysler edges up despite decline in volume of sales

By Anatole Kaletsky in New York

CHRYSLER, the third largest US motor manufacturer, amounced a slight advance in profits despite a fall in sales volumes and market share.

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Chrysler's exports to Europe continued to grow rapidly and the company consolidated its position as the leading exporter of cars and trucks

from the US.

Mr Lee Iacocca, chairman, warned, however, that profits in the current quarter might be "skinny." He described the US car market today as "the most competitive automotive market the world has ever seen." Chrysler made net profits of \$341m or \$1.46 a share in the

second quarter, up from \$320m or \$1.45 the year before. The per share earnings were held back by an increase in the number of Chrysler shares outstanding after the company's takeover of American Motors last year.

Mr Iacocca said the increase in profits came despite sluggish sales throughout the auto industry and a 20 per cent increase in the financial incentive associated with the company's sales drives in the past three months.

Chrysler sold 695,552 vehicles to its dealers in the second quarter, down 2 per cent on the volume a year ago. Revenues were up 8 per cent at \$10.11bn, reflecting not only price increases but also the company's more upmarket product mix.

Chrysler's share of the US car market fell to 10.7 per cent from 11.3 per cent, hnt Mr

Iacocca attributed this to an industry-wide decline in demand for small cars in which Chrysler specialised. In the middle and upper

parts of the market, Chrysler said it gained market share. Chrysler's share of the retail truck market also declined to 20.4 from 20.7 per cent.

Exports provided the bright-

est spot in the company's per-formanca. Chrysler said it shipped more than 28,000 cars and trucks to Europe in the first six months of 1969. This figure compares with a total of about 30,000 units in the whole of 1988 when Chrysler was already the leading US automotive exporter to Europe. Chrysler's mini-vans and Jeep models were in the fore-front of its export drive.

Qintex buys resort sites in US

By Chris Sherwell in Sydney QINTEX, the ambitious Australian entertainment and leisure group, has spent US\$250m buying two southern Californian beachfront proper-ties for its first Mirage resort on the US mainland.

The acquisition is the second big US move in four months by Qintex, which is controlled by Mr Christopher Skase. In a complex US\$1bn deal in April, it bought MGM/UA Communi-

By Our Financial Staff

BELL RESOURCES, part of Mr Alan Bond's troubled Perth-

hased empire; has raised A\$262.2m (US\$198.6m) through the sale of its 10 per cent stake in Central Queensland Coal Associates, which operates coking coal mines in that state.

The buyers were Bell's part-

ners in the venture, exercising a pre-emptive right to purchase the holding. The decision by

the consortium — Broken Hill Proprietary, Mitsubishi Devel-

opment, Australian Mutual

Provident, QCT Resources and Pancontinental Mining - over-

turns a Bell plan announced in

June to sell the stake and a 10

per cent holding stake in the

film corporation.

The group already operates two Mirage resorts in Queen-sland, at Port Douglas, and on the Gold Coast, and is develop-ing another at Princeville, in

Hawaii. Two Japanese compa-nies, Mitsui and Nippon Shin-pan, hold a 49 per cent interest in the three resorts.

Bell sells 10% in mining group

linked Gregory Joint Venture to China Steel Corporation of

Taiwan for some A\$300m.

Bell expects a small profit on the deal, to be completed by September 29. Companies in

the Bond groop are selling assets to reduce debt and

reverse a recent bruising on

the stock market. Yesterday shares in Bond Corporation Holdings, his flagship, resumed a cautious recovery by firming

cent to 78 cents.
This followed supportive

comments by Mr John Elliott,

Mr Bond's rival Australian

brewing magnate. Mr Elliott,

chairman of Elders IXL, in a

television interview held out

cations, the large Hollywood Skase for a beachfront property in California large enough for a fourth Mirage complex. Mr Skase has made two separate purchases in the Dana City area of Orange County, south of Los Angeles. Mitsul and Nippon Shinpan

The latest transaction marks majority 50 to 51 per cent the end of a long search by Mr stake.

have an option to take up to 49 per cent of the new complex. Qintex says it will retain a

the prospect of a financial col-

laboration to assist Mr Bond.
"We are looking at a number

of things; we are examining a

number of proposals. Clearly Mr Bond is talking to all sorts of people about whet he is

going to do with his business."

Australian anti-trust author-

ities would be unlikely to sanc-tion any combination of the Foster's brewing interests of

Elders with Mr Bond's Swan

and Castlemaine XXXX operations - together the two con-

trol more than 90 per cent of the local beer market. The pro-

posals did not involve Mr Bond's Channel Nine television

The suit alleged that they conspired to force the industry's main trade group to rewrite standard liability policies to exclude various risks.

week, Judge William Schwar-

expect the states to appeal unless he revises it.

relieved as lawsuit runs into trouble

By James Buchan in New York

US INSURERS are relieved and pleased at signs that a massive anti-trust lawsuit against the industry is running into trou-ble. But they warned that the preliminary decision by a fed-eral judge last week to dismiss the case may be just the first skirmish in what could be a long battle through the courts. The lawsuit, which was filed by California and more than a dozen other states in March 1988, accuses leading insurers and reinsurers of conspiring to cut off liability insurance to

municipalities and businesses in the so-called "liability cri-sis" of 1984-86. Many munici-palities found it impossible to gain liability coverage for gain liability coverage for schools, day-care centres, tramways or waste dumps.

The lawsuit is part of a broad political backlash against the rise in premium rates and decline in cover instituted by the industry in a scramble back from near-bank-ruptcy in the mid-1980s. Earlier this summer, the California Supreme Court broadly approved a referendum that

approved a referendum that seeks to impose sharp rate reductions on the industry. Named in the 1988 lawsuit

were Aetna, Cigna, Hartford Fire and Allstate and the leading North American non-marine reinsurers at Lloyd's of

But in an opinion received by the defendant late last

zer of District Court in San Francisco said that, whatever the facts of the case, the insurers were protected by a federal law that exempts the industry from much of anti-trust regu-lation. The McCarran-Ferguson Act, which became law in 1945, allows the insurance companies to exchange information on rates and business conditions that would be ille-

gal in other industries.

Judge Schwarzer had set a
hearing on his opinion for September 15 and the insurers

US insurers | NTT tranche may be put on hold

Michiyo Nakamoto on Japan's likely delay in a further sell-off

₹ he Japanese Government is likely to postpona the sale of the fourth tranche of its shares in Nippon Telegraph and Tele phone (NTT), the large telecommunications company whose image and share price have been damaged by tha Recruit bribery scandal. Mr Hisashi Shinto, the com-

pany's former chairman, and two other former directors were indicted for accepting bribes from Recruit group com-

According to one Tokyo newspaper report yesterday. the Ministry of Finance has decided to postpone issuing the next tranche, doe in the autumn, unless NTT's share price recoverd significantly. The price has plummeted from a peak of Y3.18m (\$23,000) shortly after its listing in 1987 to a low of Y1.43m last April. It to a low of 1.43m last April it has been showing new life in the past few days and closed yesterday at Y1.70m. The MoF denied that any

decision had been made con-cerning the timing of the new issue. But recent remarks by ministry officials, including Mr Tatsuo Murayama, the Finance Minister, and local media reports suggest there is a grow-ing chance the issue will he postponed.
Also, the buoyancy of the

stock market suggests that investors have ruled out the possibility of an issue. Last summer the market became depressed because of the heavy backlog of new issues, espe-



Tatsuo Murayama: facing investor disenchantment

cially the Y4,000bn offering doe from NTT. It recovered only when the Government agreed to reduce the number of shares it

On the other hand, the coming issue is scheduled to be rather smaller. Mr Andrew Smithers of S.G. Warburg Securities in Tokyo said. "Institutions have kept np their liquidity and the market has held up remarkably well despite a huge flow of new issues in June, so Y2,000bn of NTT shares would not be the end of the world."

Tha Government has no pressing need to raise revenue and could easily wait until better market conditions ere established to ensure a successful fourth issue, analysts said. Neither does the market expect the issoe to go ahead under the present political situation, with the Government facing a majority opposition in the upper house of the Diet (parliament). "NTT has been overtaken by bigger worries," Mr Smithers said.

The discochantment of investors makes it difficult for the issue to be launched at a price that would be attractive to the Government. "NTT shares are a valuable asset of the people so it is unlikely that the Government will sell all of its shares under such adverse conditions," the MoF said.

Mr Smithers believed the ministry was quite worried about the drop in the NTT share price because many who had bought shares at previous issues had come off badly since its price fell.

Some analysts felt the Government's suggestions that the next issue would be postponed could not be taken at fece value because the Government could be making such statements to encourage investors to buy available NTT shares and raise the share price on the market.
"The market responds

favourably to such news," said Mr Toshiyuki Nishiguchi, man-ager of the stock information department at Daiwe Securities, last year's lead onder-writer for the issue. "The Min-ister of Finance made similar remarks before when NTT's share price was falling."

While the Government will be doing its utmost to ensure the highest possible issue price, investors this time are not likely to accept anything close to the Y2.55m that the second tranche of NTT shares fetched at the peak of the com-pany's popularity in 1987. Most analysts suggest a price in the vicinity of last year's issue price of Y1.9m would be more helpful. "Anything near Y2.5m would turn investors sway,

one analyst said. As a possible incentive for investors, many of whom are still wary of hoying NTT shares, the ministry is said to be studying the possibility of launching the next tranche not in straight shares but along the lines of a partly-paid issue or e convertible. "It is possible that the next issue could be more of an original," one bro-

ker said. The final decision lies with NTT itself, and an official of Yamaichi Securities said the company, which had s long and comfortable existence as a government entity, had still not taken oo the idea that it should please its shareholders.

There has also been speculation that the Government will allow foreigners for the first time to buy NTT shares in order to increase the chances of the next issue becoming a success, but that the final decision rests with the Ministry of Posts and Telecommunica-tions, which has been reluctant to propose a change in tha enabling legislation.

Xerox on target with 7% rise

XEROX, the US copying and

duplicating machines group, reported a 7 per cent increase in second quarter profits and said the results indicate it is oo

target to achieve its goals this

year, Reuter reports.

The group, which unveiled a

restructuring programme in

January, reported profits of \$179m, or \$1.67 per share, for the latest quarter — up from \$167m, or \$1.59 a share, on the

Whirlpool shows moderate rise

By Karen Zagor in New York

WHIRLPOOL, the second largest US home appliance maker, yesterday reported a moderate increase in secondquarter earnings on dramatic-ally higher revenues, reflecting the company's majority stake in the appliance business of Philips of the Netherlands. Net income for the three months ended June 30 was up 7.9 per cent to \$50.4m or 72

cents a share from \$46.7m or 67 cents a year earlier. Revenues for the quarter jumped 43 per cent to \$1.64bn

from \$1.15bn, For the first half, net income advanced 8.7 per cent to \$91.1m or \$1.31 from \$83.8m a share the previous year while revenues were up by 46 per cent to

\$3.21bn from \$2.22. The results for tha latest quarter and half include all of the revenues and assets but only 53 per ceot of the profits from the joint venture with Philips, named Whirlpool Inter-

Whirlpool said six-mooth earnings from Whirlpool International were lower than expected because of increased competition, increased costs for materials and the stronger

A improved performance in

the second quarter hy Whirlpool's Brazilian affiliate resulted in a significant contrihution to profits for the first half. North American operat-ing results benefited from an improved price/cost relation-

ship.

Mr David Whitwam, chair-man, said: "We begin to see some softening in US appliance demand in the second quarter and expect second-half core product industry volumes to decline 3 per cent to 5 per cent.

same quarter a year ago. Revenues for the period advanced to \$4.4bn from \$4.1bn. First half profits were op 5 "On the other hand, Euro-pean appliance markets are per cent to \$337m, or \$3.15, compared with \$2.96 last year, while revenues were up to expected to grow at 1 per cent to 3 per cent," he said. \$8.5bn, from \$7.9bn last year.

Notice of Partial Redemption to Holders of Domus Mortgage Finance No. 1 PLC £100,000.000 Mortgaged Backed Floating Rate Notes Due 2014

graphy with the control of the contr

Notice is hereby given that in accordance with Conditions 5(b) and 11 of the Notes, the Issuer hereby gives notice to redeem £2,800,000.00 principal amount of Notes, selected randomly as detailed below. The date set for the mandatory randomly as detailed below. The date set for the mandatory redemption is the next coupon payment date being, 6th September 1989, and the Notes will be redeemed at their principal amount plus accrued interest. Payment will be made against surrender of the Notes, together with all appurtenant Coupons maturing after the date set for redemption at the offices of the Paying Agents, named on the Notes. On and after 6th September 1989, the redeemed Notes will cease to accrue interest.

The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be pald against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the redemption

The nominal amount that will be outstanding after the Notes listed below have been redeemed is £75,400,000.00. The Serial Numbers drawn for mandatory redemption are as tollows:-

82 95 106 135 182 206 247 268 325 373 454 469 472 513 598 618 641 676 759 798 818 637 883 902 929

Chemical Bank **Principal Paying Agent** Dated 1st August 1989

1988 HIGHLIGHTS

(000 US-\$) *	1988	1987
Premiums written	3,825,780	3,391,423
Premiums ceded	- 531,084	- 455,534
Net premiums	3,294,696	2,935,889
Net investment income	706,698	633,826
Technical interest allocated to Life funds	- 364,432	- 330,355
Insurance underwriting result	- 82,476	- 8,709
Sundry income and expenditure	- 34,775	- 7,485
Operating profit	225,015	287,277
Profit on sale of properties and securities	148,524	64,161
Unrealized capital losses on securities Allocation to reserve for realized	- 48,715	- 84,854
capital gains to be reinvested	_	- 5,618
Taxes	- 64,880	- 66,260
Total other items	85,429	92,571
Profit for the year	260,444	194,700

- US\$ 2,432m for Non-Life. · Total investments reached US\$ 9,887.4m showing
- Net investment income totalled USS 705.7m showing a growth of 11.5%. The average yield has been 8.3%. Resized capital gains generated from the sale of securities amounted to USS 117.6m.
- The year's profit, showing a growth of 33.3% over the previous year, amounted to USS 250.4m of which USS 137.8m for Life and USS 123.1m for
- Profit per share (Dollars) * 0.492 0.367 0.253 0.152 91 50 Pay-out ratio (per cent) Botum per stare (in US Dollars) in comparable terms i.e. comparing values to a capital of 1,050 hillion Lire.
- Gross premiums written by the Company totalled USS 1,255.8m of which USS 1,253.8m for Life and to the extraordinary reserve.
 - reached US\$ 2,386.8m showing an increase of US\$ 1,096.5m over the previous year.
 - The dividend per share is the equivalent of US\$
 0.253 cents (+10% taking into consideration the
 free increase of capital, +39.8% on the total
 - The increase of the issued capital in pixed form from 420 billion to 1,060 billion kire, agreed by the Extraordinary General Meeting held on 28 June 1988, was lamched on 19 September 1983 and completed by 5 December 1983.
 - · During the first half of 1989 2 subsidiaries were ournig the instruct of 1000 2 sansangers overte established in Milan, Italy: Gefina Commissioneria S.p.A. 100% owned by Gefina S.p.A. and Sodiges S.r.I. Also the Generali Group sold all the shares of Euralliance Paris and reduced its ownership in

Head Office in Trieste (Italy)

1988 CONSOLIDATED STATEMENT

TOOC COLLOGIANDIALIAN	O ALAA.	MANUAL 4 2
ASSETS (000 US Dollars) *	1983	1987
Building and farm property	3,726,040	3,450,952
Fixed-interest securities	11,696,817	10,157,795
Shares (including Associated)	3,663,464	2,296,600
Mortgage and policy loans	1,142,560	1,067,140
Deposits with Ceding Companies	494,097	477,176
Bank deposits	926,129	868,933
Accounts receivable and other assets	2,806,620	2,296,028
Total	24,455,727	20,614,624
LIABILITIES (000 US Dollars) *		
Provisions for insurance liabilities	18,554,626	16.195.513
Reinsurance deposits	211,760	222,184
Other liabilities	1,958,426	1,719,517
Minority shareholders interest	340,427	311,976
Shareholders surplus	2,999,518	1,843,401
Profit for the year	390,970	322,033
Total	24,455,727	20,614,624

- This balance consolidates 56 insurance com operating in some forty markets, (including 7 Europ Assistance companies), 19 financial, 27 property and 3 agricultural companies where Generali
- Gross premiums amounted to USS 8,326.1m (+11.9%), of which USS 2,783.3m for Life and USS 5,542.8m for Non-Life. The geographical break-down is as follows: Italy 36.1%; other EEC Countries 41.5%; rest of Europe 19.1%; rest of the world 3.3%.
- Investments total US\$ 21,649.1m (+18.2%).
- Investment income amounts to US\$ 1,661.7m (+11.1%) of which 64.2% is produced by fixedinterest securities, 16.8% property, 7.7% shares, 4.6% bank deposits and 6.7% other investments.
- US\$ 18,554.6m (+14.6%).
- The shareholders surplus amounts to US\$ 3,292.5m and 91.1% belongs to the Parent Company, the minority interest being 9.9%. 391m and originated from:
- (000 US Dollars) = 1988 1987 Parent Company's profit 260,443 194,707 Profit of the other 215,589 187,695 - 37,642 - 23,530 438,399 858,872 Consolidated profit Minority interest 47,420 - 36,839 390,970 322,033

Parent Company: Assicurazioni Generali



GENERALI

and Directors' Circular relating to the Offer by a wholly-owned subsidiary of

BCED

Directors' Recommendation

Olympia & York Developments Limited dated July 14, 1989, to Purchase for Cash

All Outstanding Common Shares, \$5.50 Warrants, \$7.06 Warrants, Class A Preference Shares Series 1, 8% Convertible Debentures and 101/4% Convertible Debentures

BCE Development Corporation

- Recommendation -The Directors of BCED, for the reasons set out in the Directors' Circular dated July 24, 1989, recommend that holders of the securities of BCED referred to above accept the offer by the wholly owned subsidiary of Olympia & York Divelopments Limited.

A copy of the Directors' Circular in either the English or French language may be obtained by holders of BCED \$5.50 Warrants from National Tracit Company, Corporate Services Department, Suite 900, 666 Burrard Street, Vancouver, British Columbia, V8C 229.

FT GUIDE TO WORLD CURRENCIES

3 6158 1.9375 2.6400 (Riyal) 6.0258 Haiti Handera Hong Kos Hunga 2 6720 1 0704 4 1741 31 988 3.6407 1.4584 5.6874 43.5854 (Godde) (Lempira) IHK \$1 (Forint) | ICFA Fr) 526 25 | (Canadian SI 1.9620 | (Canadian SI 1.9620 | (CS) Pesetal 195.15 | ISS (CV Econdor) 131.7966 | ICFA Fr) 526.25 Ramibia IS A Rand Nauru is (Australian S) Nepal (Nepalese Rupee) Netheriands (Guilder) N'nd Antilles (Aguilder) New Zeatand (MZ S) Nicaragua (Cordoba) Niger Rep (CFA Br) Niger Rep CRial OmanD 0.6370 0.3822 0.2790 0.2048 Pakistan (Pak Ropee) 34,20 Panama (Balboa) 1,6665 Pagua New Gainea IKina) 1,4542 Õ.B726 2063.98 1238.5118 663.6591 904.2628

Special Drawing Rights July 28 1989 United Kingdom £1.29361 United States \$1.28107 Germany West 0 Mark 2.40444 Japan Yen178.773 European Currency Unit Rates July 31 1989
United Kingdom £1.49512 United States \$1.11342 Germany West 0 Mark 2.07675 Japan Yen153.817

(a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (f) Mon 3 Baying rate; (ii) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (o) convenible rate; (r) parallel rate; (s) Selling Some data supplied by Bank of America, Economics Department, Condon Trading Centre. Enquiries; 01 634 4360/5. Monday, July 31, 1989.

TRADE INDEMNITY

THE CREDIT RISK MANAGERS



01-739 4311
SPECIALIST
EXPORT FINANCE

George D. Gould

We are pleased to announce

former

Undersecretary of the U.S. Treasury Department has joined our firm as

> Vice Chairman August 1, 1989



Klingenstein, Fields & Co., L.P.

787 Seventh Avenue New York, NY 10019-6016

Tel: (212) 492-7000 Facsimile: (212) 492-7007

DIAMOND CAPITAL LTD

A special meeting of shareholders of Glarmond Capital Ltd. will be held on August 21 ,1989 at 11.00am at the offices of Fenchurch Trust Lented, 19, Senton Place, St-Heiler, Jersey (Channel Islands). The meeting is called by order of the Board of Olirectors of Glamond Capital Ltd. for the purposes hereinafter set Jorth:

1. Approval of a resolution to dissolve the corporation.

2. Approval of the payment to each holder of Class C shares of the book value of such shares, as a distribution upon dissolution of the corporation.

corporation.

3. Approval of a procedure for making payments to shareholders.

4. To suthbrise the Board of Circotors to take all action necessary to carry out the dissolution of the corporation, and 5. For such other and further purposes as may come before the meeting.

Mortgage Securities (No 1) Plc

£200,000,000

Class A Mortgage Backed Floating Rate Notes due 2023

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 31st July, 1989 to 31st October, 1989 the Notes will carry an Interest Rate of 14,175% per annum. Interest payable on the relevant interest payment date
31st October, 1989 will amoun
to £3,572.88 per £100,000
Note.

Agent Bank: Bank of Scotland

Mortgage Securities (No 1) Plc

£20,000,000

Class B Mortgage Backed Floating Rate Notes due 2023

lo accordance with the provisions of the Notes, notice is hereby given that for the Interest period 31st July, 1989 to 31st October, 1989 the Notes will carry an Interest Rate of 14.375% per annum. Interest payable on the relevant interest payment date
31st October, 1989 will amount to £3,623.29 per £100,000
Note.

Agent Bank: Bank of Scotland

The Financial Times proposes to publish this survey on:

2nd October 1989

For a full editorial synopsis and

Edward Macquisten on 01-873 3300

or write to him at:

Number One Southwark Bridge London SEI 9HL

FINANCIAL TIMES

INTERNATIONAL CAPITAL MARKETS

Junk bond yields 'offset default risk in recession'

THE HIGH yields on junk bonds provide sufficient returns to investors to make holding a well-diversified porfolio worthwhile, even under recessionary economic conditions, according to a recent study commissioned by a group of junk bond issuers.

While other studies on these bonds have attempted to ascer-tain the level of default, with mixed conclusions, the latest study is the first to make projections about future recession-ary conditions and examina whether higher yields on the securities justify the increased risks investors take in purchas-ing them.

ing them.
The study was conducted by Data Resources, a private research institute based in Lexington, Massachusetts. It was conducted at the request of the Alliance for Capital Access, whose members use the high

According to Mr David Wyss. According to Mr David Wyss, chief economist at DRI, the study examined only the performance of bonds which had been initially issued as speculative-grade junk bonds, ignoring investment-grade debt that had later been downgraded. It

had later been downgraned. It defined as a default any bond where payment of interest to investors had been interrupted, if only temporarily.

The study calculated the performance of a junk bond portfolio under four different recessions and correlated. sion scenarios and concluded that only under one — a high-inflation, severe recession like that in the US in 1981-82 — would defaults on junk bonds rise significantly.

A cumulative growth rate of 54.45 per cent would be experi-

enced for the years 1988 through 1993 in an inflationary recession for junk bonds. But,

yield bond market to raise even then returns would pro-funds. even than, returns would pro-vide sufficient compensation. The junk bond returns com-pare favourably with autici-pated cumulative returns on pated cumulative returns on other long-term fixed interest investments, such as mort-gages, which would earn returns of 51.02 per cent. Cor-porate bonds would be expec-ted to sark 49.15 per cent, while 10-year government bonds would earn only 45.53 per cent.

Meanwhile, short-term investments such as certificates of deposit and three-month US Treasury bills would yield returns of 54.79 per cent and 57.49 per cent, well above those on junk bonds.

But among long-term assets the bonds offer the best returns under most circumstances. As long as an investor

stances. As long as an investor is not forced to sell at the bottom of the market, it would

Euromarket growth slows sharply

By Katharine Campbell

THE INTERNATIONAL bond market is growing at a signifi-cantly reduced rate, according to a recent report published by Salomon Brothers, the US securities house. In 1988 outstandings of gov-

in 1988 outstandings of government and government-guaranteed debt in the world's 13 leading bond markets increased by just 3.4 per cent, compared with 27 per cent in the two preceding years.

Meanwhile, the value of total outstanding publicly issued debt amounted to \$9,764bn, just 42 per cent higher in dollar.

4.2 per cent higher in dollar terms than 1987.

The report — How big is the world bond market? — points ont how both the changing structures of individual bond markets and the relative

strengths of various currencies have affected the composition of these markets.

Budget surpluses in the UK, Sweden, Switzerland and Aus-tralia have contributed to reduced borrowing needs by respective governments and their agencies. In Australia, for instance, marketable Common-wealth and state bond out-standings fell by 9 per cent last

Moreover, the report con-tends the trend is likely to continue, with the British Government likely to buy back £10bn in the current financial year, in addition to the £11.6bn of scheduled bonds maturing. In these countries, other debt markets were a benefi-

funding needs. Active issues in the Eurosterling market brought outstandings to £37bn. And, in Australia, a new corpo-rate bond market emerged, supplementing the short-term facilities to which firms habitually resorted. Current ontstandings are

just A\$3.8bn.
At the same time a modest appreciation in the dollar, as well as in currencies of higher-

yielding bond markets - nota-bly the Canadian and Austrably the Canadian and Austra-lian sectors — has expanded the share of these markets. Conversely, the poorer perfor-mance of some European cur-rencies — the D-Mark, Belgian franc, Danish krone, and Swiss franc — has led to a modest

ciary of reduced government FT INTERNATIONAL BOND SERVICE

US DOLLAR Canadian Pac 104 93. | Change us | Chan CONVERTIBLE
BONDS
Alcoa 6-1, 02 US
Amer. Brands 74, 02 US
CBS. Inc. 5 02 US
CBS. Inc. 5 02 US
Eng. Called Clay 6-1, 02 US
Eng. Called Clay 6-1, 03 E
Eng. Called Clay 6-1, 03 E
Eng. Called Clay 6-1, 04 E
Land Sec. 6-1, 02 E
Minotia Camera 2-1, 940M
MCA MC 5-2, 02 US
MICHAEL CLAY
MCA MC 5-2, 02 US
MICHAEL CLAY
MICHAEL

S. ..

r_{4kö}

FV Power Company, Copenhagen (IFV-anergi l/s)

¥5,000,000,000 Floating Rate Notes Duc 1994

Notice is hereby given that the Rate of Interest for the Interest Period from Ist August, 1989 to 1st February, 1990 is 4,97% per annum. Interest payable on

1st February, 1990 will amount
to ¥2,505,425 per

¥100,000,000 principal amount
of the Notes.

Agent Bank The Long-Term Credit Bank of Japan, Limited Tokyo

IRELAND

The Financial Times proposes to publish this survey August 25th 1989
For a full editorial synopsis and advertises

contact:

Gillian King
on 01-873 4823
or write to her at:
Number One
Southwark Bridge
London 5E | 9HL

UNIT **TRUSTS**

The Financial Times proposes to publish this survey

14 OCTOBER 1989

For a full editorial synopsis and advertisement details, please contact:

on 01-873 4181

or write to him at:

Number One Southwark Bridge London SEI 9HL

FINANCIAL TIMES

BASE METALS

advertisement details, please contact:



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INTERNATIONAL CAPITAL MARKETS

US Treasuries sustain earlier rally

By Karen Zagor in New York and Katharine Campbell in London

US TREASURY bonds extended their previous week's rally in a market which remains bullish after last week's indications that the Federal Reservé has eased monetary conditions.
In mid-session trading the

GOVERNMENT BONDS

Treasury's bellwether 30-year bond was up & point at 110H, yielding 7.94 per cent. Before last Friday, the yield on the long bond had not fallen below 8 per cent since April 1987.
The Fed conducted overnight matched sales yesterday indicating it considered the Fed funds rate to be too low. The

funds were at 8% per cent when the Fed arranged the The bond market rally came in spite of a weakening of the dollar, which at midday was trading et Y137 and DM1.8655 in New York, well below its Fridey close of Y139.20 and

<u> </u>	Coupon	Red Date	Price	Change	.Yield	Week	Mont
UK GILTS	13,500	9/82	107-08	+0/32	10.70	10,94	11.39
	. 9.750	. 1/98	96-20	+1/32	9.98 .	10.24	10.58
	9.000	70/08	98-20	+4/32	9.15	9.34	9.58
US TREASURY "	8.125	5/99	108-24	+8/32	7.83	8.05	S.09
	8.875	2/19	110-14	+ 16/32	7.95	8.14	8.06
JAPAN No 111	4,600	6/98	97,2389	+0.387	5.05	5.18	5.48
No 2	5.700	3/07	107_2657	+0.403	4.93	5.02	5.19
GERMANY	7.000	2/99	102.6500	+0.130	8.61	8.68	6.71
FRANCE BYAN	8,000	1/94	98.0003	+0.284	6.53	8.75	9.01
OAT	8.125	5/99	98.3900	+.0.210	8.36	8.53	8.71
CANADA .	10.250	12/98	106.1750	+0.205	8.24	9.37	6.30
NETHERLANDS	7.000	3/99	100.2000	+0.270	6.97	7.08	7,14
AUSTRALIA	- 12,000	7/99	92,7651	· <u>-</u>	13.33	13,48	13.47

Leading commercial banks lowered their prime lending rate yesterday by ½ point to 10.5 per cent.

■ THE US news cheered most European bond markets, with France the most active in terms of retail flows. The Sep-tember 10 bond contract closed at 109.84 after a high of 109.96. 1987. The spread since then has averaged about 225 basis points. At the official fixings, bunds were up to 30 pfennigs higher, with the recent federal 6% per cent 10-year bond fixed to yield 6.60 per cent, at 101.05. compared with 100.75 on Friday.

has been outpaced by the US Treasury rally can be read in the spreads, the narrowest for

more than two years. With Treasuries barely 150 basis

points over hunds they are at levels not seen since March

■ THE Dutch market breached a key resistance level on the benchmark state loan, which yesterday fell through the 7.00 per cent berrier, to yield 6.9 per cent. Thus the spreed over bunds has tightened to about 8% per cent tap stock closed to yield 8.37 per cent. 30 basis points.

Dealers said they were pressing for a tranche of the 30-year stock to be issued at Thursday's monthly auction, instead of the scheduled 15-year paper. TUK gilt-edged securities rose in tune with other bond mar-kets in early trading, but prof-it-taking ensured the market closed only a fraction stronger on the day. The September bond contract closed at 97%, & THE German market moved up modestly, but how much it stronger than Friday.

US. \$100,000,000

July 27, 1989

FIDELITY FEDERAL

Almac's Inc.

has been accurred by an affiliate of

The Yucaipa Companies

The undersigned initiated this transaction and acted as financial advisor to Almac's Inc.

C. J. Lawrence, Morgan Grenfell Inc.

MORGAN

GRENFELL

SAVINGS AND LOAN ASSOCIATION

Collateralized Floating Rate Notes Due 1992

815/16% per annum Interest Period

31st July 1989 31st October 1989

U.S. \$2,284.03

Interest Amount per U.S. \$100,000 Note due 31st October 1989

1,439

Interest Rate

Credit Suisse First Boston Limited Agent Bank

LG INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W OBD Tel: 01-828 7233/5699 An AFBD member Reuters Code: IGIN, IGIO FT 30 FTSE 100 WALL STREET
Jul. 1918/1927 -16 Jul. 2304/2314 -12 Aug. '2630/2642 N/C
Sep. 1931/1940 -15 Sep. 2320/2330 -12 Sep. 2640/2652 N/C

Prices taken at 5pm and change is from previous close at 9pm

Simmer and Jack Mines Limited Exported in the Republic of South Africa)

Interim report

6 760 000 shares of 2 cents each fully paid Report of directors for the six months ended 30June 1989.

	So. mon	ina ended	Year ended
	30 June 1929 17000	30 June 1988 R 000	31 December 1988 R1000
Turnover	1 884	3598	5,088
Operating profit Interest paid	1 330 861	2985 649	1 044 1 399
Profit before testadon Testation	459	2 23 6 1 103	(355) (687)
Profit after taxation Relianted earnings at 4 January	459 10 108	1 133 9636	4536
Distributable income Dividenda	10567	10.769	10 108
Betained income at 30 June	10 587	10769	90 1139
Earnings per share (cents)	6,8	16,8	6.99

Simmergo Project: It is enticipated that the royalty from the Simmergo Project will be lower than the previous financial year as a result of the plant only presting sand.

Land sales: Your company has decided to consolidate its position in the field of property development, although there are several prospects that will be persued

in the second half of this financial year

	Six mor	nths ended	Yearended
	30 June 1989 Tona (000)	30 June 1986 Tona (000)	31 December 1988 Tons (000)
Sand treated	1 297	1088	2,320
Ore milled	-	441	52
Acid production	20	18	34
Gold production - kg	703	8.52	1 504
Unit cost -B/t	31,33	28,51	20,54
	B.000	8,000	RYOO
Bovernac	24 150	27 150	50.829
Working costs	22 165	23 861	49733
Operating profit	1 965	3 589	1 097
Rowalties and to Summer and lock	466	7 767	2 6.00

Secretary per M G Hayward

ard Floor, MXM House 102 Reverse Boad

26 July 1989 London registrars and share transfer secretaries Hill Samuel Registrara Limited & Creencoat Place London, SW1 1PL

THE BANK OF NOVA SCOTIA

£100,000,000

Floating Rate Debentures 2000 Issue Price 100.10 per cent.

For the three months 31st July, 1989 to 31st October, 1989 the Debentures will bear an interest rate of 13.975% per annum and the coupon amount per £10,000 denomination will be £352.25.

Agent Bank Samuel Montagu & Co. Limited

Managers forecast pick up after quiet day

EUROBOND MARKETS had one of their quietest days of recent weeks yesterday, with traders reporting limited activity. Behind the scenes, however, syndicate managers were working to try to bring issuers

INTERNATIONAL BONDS

in several sectors and were forecasting brisker business later this week.

Late in the day in France, Crédit Commercial de France (CCF) was the lead manager of a FFrihn 10-year deal for Euro-fima. The bonds were offered with an 8% per cent coupon and were priced at 101%. At less full underwriting fees of 2 per cent, the bonds were designed to yield some 28 basis points. Over Ersenb. 20 basis points over French government bonds.
The deal was still in syndica-

tion by the close, with CCF opening with a support bid of less 2. Traders said the terms were in line, giving nothing

away. It is understood the proceeds

EQUITY GROUPS

& SUB-SECTIONS

stocks per section

1 CAPITAL GOODS (206)
2 Building Materials (29)
3 Contracting, Construction (37)

4 Electricals (9)

5 Electronics (30) 6 Mechanical Engineering (55) 8 Metals and Metal Forming (6)

29 Leisure (33).
31 Packaging & Paper (15).
32 Publishing & Printing (19).
34 Stores (34).
35 Textiles (15).

21 CONSUMER GROUP (186)....

27 Health and Household (14)

40 OTHER GROUPS (74)

48 Miscellaneous (26)

51 011 & Gas (14)......

59 Property (52)

91 Overseas Traders (8) ..

49 INDUSTRIAL GROUP (486)

61 FINANCIAL GROUP (124)...

59 500 SHARE INDEX (500)._....

vestment Trusts (69)

99 ALL-SHARE INDEX (703)

FT-SE 100 SHARE INDEXA ..

FIXED INTEREST

Oay's change %

	NEW	INTE	RNATIC	NAL	BOND	ISSU	ES
Borrower US DOLLARS	As	nount m.	Coupon %	Price	Maturity	Foot	Book runner
Kingdom of Denmark		150	814	1013	1994	14/5	Nomura Int.
Centralsecured Inv.14		70	(b)	100	2000	25bp	Morgan Stanley Int.
Nieshin Steef∳(c)		400	(434)	100	1993	12/4	Nomura Int.
Nisshin Steelf(d)		200	(4 %) (4 %)	100	1983	112/1	Yamaichi Int.(HK)
SWISS FRANCS Nisshin Steel Co.++5(a)	•	300	, (, 75)	100	1994	15	Banque Paribas
FRENCH FRANCS Eurofima		1bn	8%	101 %	1989	14/4	CCF
SWEDISH KRONA WestLB Finance		300	114	101%	1994	14/4	WestLB
YEN Desjardins du Quebec		10bn	5.3	100.80	1990	12/3	Yamaich) int.

Technical Date/ATLAS Price Sour

In the cash market, the 10-year

were not swapped, with bor-rowers apparently pleased to lock in funds for historically low fixed costs of below 9 per

Elsewhere, Nomura Interna-tional brought a \$150m five-year builet-maturity deal for the Kingdom of Denmark to a better than average reception. Denmark has been an infrequent borrower in this sector, previously tapping the market in April last year for \$150m via . Mitsubishi Finance.

FT-ACTUARIES SHARE INDICES

the institute of Actuaries and the Faculty of Actuaries

16.76

7.20

9.75 8.37 10.09 10.71

+6.8 7.15 -6.8 11.28 -6.4 16.63 -8.3 6.48 -6.7 11.57 -1.7 8.11

10.4 -10.7 22.06

6.13 11.19

+8.6 -8.3 +0.3 +0.1 +0.3

+0.5 -0.1 -1.1

-0.3

rd adj. rd adj. today 1989 to date

index Day's Day's Day's No. Change High (a) Low (b)

Day's Change

990.24

12624.16

2262,74

545.72

359.51

1489.83 1325.09

1451.71

2535.21 2378.46 1757.13

601.25

867.81

558.21

11479.51

1311.14 1786.85

2475.65 1078.34

1217.84

1297.94

1177.11

379.7

490.40

1173.25

627.40 979.90 371.13

-0.5 -0.6 -0.3

-8.7 -0.4

+0.2 -0.1 -1.0 +0.1 -6.3 -0.9

Monday July 31 1989

4.05 4.36 4.33

3.91 3.31 3.89 5.61 4.22 4.15 3.22 3.37 3.47 2.72 1.73

3.17 4.12 4.38 4.69 5.28 4.01 2.28 4.73 4.78 5.64 4.60

6.20 5.87 5.74 6.33 4.27

2.70 3.72 3.02

1 Low 2 Coppens

12.50 5.68 11.41 13.02

15.19 13.59

14.84 16.61 19.83

17.38 12.95 15.40 12.94 11.10 12.51 17.34

10.35 11.73 15.32 11.46

17,46 4.27 -2.85 20.75 5.76 11,40

13.84 11.60

Jul 28

AVERAGE GROSS REDEMPTION YIELDS

2158.79 -4.4 9.84 5.18 13.52 64.24 2168.22 2159.56 2154.58 1845.63

-8.4 9.35 3.67 13.22 20.83 1223.29 1213.16 1253.20 988.96

3.86 13.26 24.38 1383.74 1293.67 1284.84 1062.68

4.02 - 22.73 1176.69 1166.71 1158.37 949.89

Jul Jul 27 26

-9.8 2319.9 2297.0 2306.6 2233.7 2264.5 2269.4 2259.1 1862.2

5 years.... 15 years.... 25 years....

8% per cent coupon and were priced at 101% to yield 62 basis points over Treasuries, a spread which new-issue traders

Sales into Europe and the Middle East were reasonably strong and the paper was trad-ing at less 1% bid, inside full underwriting fees of 1% per

Yesterday's bonds offered an of a Japanese equity warrant

The proceeds were swapped, but the lead manager declined to elaborate. The \$400m European tranche

No.

19 57 995 55 988 39 981 17 812 43

19.57 995.55 988.37 983.37 83.27 25.92 1222.73 1218.76 1211.56 1826.43 32.70 1628.82 1627.14 1615.16 1626.43 58.60 2944.44 2933.92 2929.26 2225.74 43.06 2243.36 2244.58 2258.95 1767.29 9.57 549.15 546.13 543.74 424.87 14.84 522.82 527.85 525.33 531.30 4.83 359.74 345.01 344.43 288.55 33.56 1698.93 1695.35 1678.46 1341.17 20 26 1828.15 1312.95 1298 51 1834.17

33.55 1878.79 1879.30 1878.46 1541.17 20.36 1328.15 1312.75 1279.50 1188.25 21.93 1462.51 1435.87 1424.39 1121.11 20.55 1202.82 1198.49 1191.14 1016.66 32.27 2533.86 2519.33 2449.79 2681.18 22.24 2565.86 2346.44 2333.59 1885.73

22.24 2365.86 2346.44 2313.59 1885.93 29.39 1793.68 1731.65 1716.15 136.65 9.11 607.87 69.39 691.67 559.17 72.55 5791.64 5755.37 3645.58 3465.24 15.06 563.23 562.63 5561.46 612.74 20.52 1193.78 1188.51 1179.25 997.46 18.99 1468.63 1654.87 1619.79 1124.63 28.62 1321.52 1312.54 1075.39 26.22 1712.65 1695.90 1679.77 1238.41 39.22 2462.11 2495.21 2467.25 1945.89 29.09 1855.88 1075.29 1075.37 971.15 29.09 1855.95 2858.78 2039.59 1274.48

29.00 2953.95 2054.78 2037.59 1214.98

18.87 785.13 774.19 770.39 710.33 23.46 776.22 749.67 747.21 646.52 29.86 1179.12 1175.42 1168.58 1990.17 16.73 92.89 976.42 971.59 972.54 730 370.16 368.97 365.10 355.88 17.86 1373.55 1373.78 1349.81 1239.76

7.63 378.75 376.63 375.71 381.82

15.47 1220.13 1212.75 1285.73 920.74 18.45 691.20 689.41 681.43 526.58 43.33 1429.23 1418.80 1409.85 1149.24

deal launched for Nisshin Steel by Nomura International made a strong debut, trading up to 106% bid, a stunning premium

to the par issue price.

Nisshin also launched a convertible deal in Switzerland via Banque Paribas. The SFr300m five-year deal offered an indi-cated coupon of % per cent and a yield to put of 4.039 per cent. In spite of quiet market condi-tions in Switzerland, the lead manager described a good reception and was quoting the paper at less 1% bid.

-----LONDON-MARKET STATISTICS

RISES AND FALLS YESTERDAY British Funds ors. Dominion and Foreign Bonds

636 Totals

LONDON RECENT ISSUES

EQUITIES ter Non Lee Dia. 130 575 5130 5135 5133 U7.7 2.7 RQ49.5

-		_	VED	1141	REST STOCKS	Charina	_
Price	Acrount Pain	Rennoc	19	89	Stock	Chosing Price	+ 0
£	-	Date	Higgs	COM.		£	-
1000		27/7	£190	5152 1028	Auglo Grp. 91 ₂ pc Co. 8ds. 1999 Carriton Corress. 6.5p (Net) Cy.Rd.Pt 5p	105p 105p	Г
100a 100a 100	12.	28/7	108a 104a	999	Hartwell 7 %p (Net) Cv. Pf	995	١
	F.P.	-	7pm 2001x	10m	N wide Anglia 13 kgc Res 23 7 90	100 i	-11
100p 4100 4100 4100p	F.P.	-	1044	991	N wide Angile 13 year Bes 23.7.90	104	41
100p	F.P.	21.62	1030	100s 61/02 107p	Deep & Rethinson 81s pt (Net) Cr. Pf Retails succe Hitigs 8.5pc Cr Lo 1994	1006 12021, 1206 1116	
420p	P.P.	218	验	107p	WPP 8 25c Cu. Rd. Pf., 10c	1200	+2

Price P		Latest. Record	19	89	Stort	Clasing Price	+ 0
	a l	Date	High	Low	1 300	P	-
89 X 110 110 110 110 110 110 110 110 110 1	森西当当り年的在美名地南の路	25/8 25/8 25/8 25/8 25/8 25/8	28 pet 12 17 pen 22 pen 22 pen 14 pen 12 pen 12 pen 12 pen 14 pen 15 pen 15 pen 15 pen 15 pen 15 pen 15 pen 15 pen 15 pen 16 pen 16 pen 16 pen 16 pen 17 pen 17 pen 17 pen 17 pen 18 pen	25pm 712 6pm 25pm 15pm 10pm 10pm 10pm 10pm 10pm 15pm	Argin Eastern Plantations Sear Brand Adlants Indis, 5p Douts Sp Eastern Indis Glame Indis Glame Indis Glame Indis Glame Indis Glame Indis Pasfida Crusp Do (Entering Offer) Afree 10p Rodines 5p Surving Indis, 2 2p Writing	114 17pot 12pon 15pon 15pon 15pon 15pon 15pon 15pon 15pon 15pon 15pon 15pon 15pon 15pon	424-1-1

Properties or other diffical estimates for 1979. I. Estimated amounts of critical cours and pile based on lates annual sentings. M Difficial and yield based on Properties or other difficial estimates for 1969 in historic and yield based on properties on other difficial estimates. To 1969/79. If these R properties can amount of different covers and pile ratio based on properties or other official estimates. W Pro Forms figures, 7 keed by Lester 2 Official to bodies of ordinary shared as 2 "rights," I terreduction \$Placing prior in Restorated to be used in posterious with reorganization mayor or Statement, 2 Official Loadon listing. I Including warrants sollthement, "Third Market.

TRADITIONAL OPTIONS

 First Dealings Last Dealings
 Last Declarations • For settlement Nov 6

Jul 24 Amstrad, Explaura, Asda, Dares Est, TR Energy, Body Shop, AT Trst, Apricot Comp, Eurotumei, Benioz, Tuskar Res, Atlantic Res, Charterall, Leis Inv, Steepy Kids, For rate indications see and of Charterall, Leis lity, Steepy Kids, Oliver Res, Ford Seller Morris.

Cults in Dominion int, Stand & Chart, PML, Cadbury, BAT, Charterhall, Ametred look for better share prices in the UK: on the one hend there has over e querter of the lotal traded options business, finding 10,812 been e shift towards optimism over the UK econonomic outlook, confrects in total, meda up of 7,278 calle end 3,534 puts.

on the other that has been e shift towerds optimism over the US

Market totals Indicated yeslerday

Its leck of reaction to lectors touching it fundamentally, such as the chenga in attitude of the money market et large to the aconomic outlook, and such as the

The London Traded Optiona

economic outlook.

LONDON TRADED OPTIONS

THE RECENT gain in the FT-SE 100 Index to levels not seen since the world was left to wonder the Crash of 1987 feced e chal-lenge yesterdey from e general fall in share prices on the London Stock Exchenge. A drop in the FT-SE 100 index by 9.0 points to 2,297.0, on the dey, came, even so, after the index had touched 2,319.9 in the morning.

Options trading largely slumbered even against such a background. Dealings on the London Traded Options Market came to 38,097 contrects, mede up of

27,184 calls and 8,913 puts. The cut this week in the apparent Fed tunds rate might heve

been reckoned to steer London equity prices higher.
There were other reasons to CALLS PUTS Oct Jan Apr Oct Jan Apr

Brit. Airways 180 32 37 43 1½ 3 5 (*206) 200 17 23 30 6 9 11 220 6½ 15½ 19 18 20 20

Smitht Bdsm 541 42 60 - 13 20 1555) 550 - - 72 - - 500 - 45 - -

British Steel 70 12 15 18 2 312 412 (977) 80 514 10 12 612 8 812

500 53 64 82 15 24 26 550 26 39 55 40 47 48

260 43 48 57 4 6 7 260 29 33 42 8 11 14 300 15 23 32 15 19 22

1000 102 120 147 13 25 30 1050 67 67 117 30 45 50 1100 40 62 - 55 70 -

420 39 54 64 10 16 20 460 15½ 31 40 33 35 41

development, coming on lor some time, but now running at a strong pace, in the issues of warrants on shares other than by the compa-nies themselves.

Tha total of treded options spoke for this, but it was notable that business in the FT-SE 100

Index option should reach well CALLS PUTS Oct Jan Apr Oct Jan Apr

tracts bringing an opening of position of 550 contracts to 650, and in the August 260 calls, in which there were 918 contracts and a fall in open interest of 400 contrects to 863.

Brilish Steel sew 1,625 contracts, and Asda 1,551.

CALLS PUTS Sep Nov Jan Sep Nov Jan 140 12 16 19 3 4 4½ 160 3½ 6 8½ 16 16 16 180 1 3 4 36 36 36

GEC took most of the honours emong individual options stock, finding 3,200 contracts, of which

3,120 contracts were call end 80

tha puzzle that - as the undarly-ing price of the shere fell 2p on tha day to 270p - the heavlast

turnovare were zeen in that August 160 calls, with 700 con-

Business in the stock option left

360 47 57 71 1 4 6 390 17 34 48 2 13 14 420 2 19 32 16 26 27 Brit. Telecom 240 17 29 33 1 3½ 6 (*256.) 250 2½ 15 20 6½ 10½ 15½ 280 ½ 7 11½ 26 26 27 330 - - 46 - - 13 357 1t - - 19 - -160 29 33 - 1 2½ -180 15 19 24½ 5½ 8½ 9½ 200 4½ 10 16 18 20 21 460 80 94 108) 21₂ 5 500 40 60 74 11₂ 9 12 550 5 28 44 16 27 32 120 1512 1812 2112 2 4 5 130 75 1112 1512 5 7 815 140 212 612 11 11 13 13 240 31 42 49 1₂ 3 5 260 11 26 34 1½ 71₂ 10 280 2 15 21 13 17 19 330 33 43 53 6½ 14 16 550 15 27 35 20 26 28 340 6 15 23 41 44 46 220 3½ 16 19 2 7 10½ 240 ½ 6½ 10½ 20 20 21½ 800 60 85 107 15 23 30 850 29 55 73 37 45 50 500 22 50 72 3 18 23 550 8 30 42 35 42 47 100 9 13 15 1½ 3 4 110 3 6½ 8½ 7 8 9 120 t 3 4½ 16½ 16½ 17½ 750 (*108.) 650 50 77 t02 2 22 28 700 15 47 74 17 42 50 70 13 15 15 14 4 41₂ 80 41₂ 61₂ 9 6 8 10 4)9 25 7 12 1 10 16 24 24 t 5 - 44 44

15 269 219 169 119 69 19 315 268 219 168 122 80 48 327 260 232 183 140 102 70 340 243 244 200 160 123 87 4 455 - 375 - 300 - 230

52 75 - 1 9 -23 54 70 4 18 25 6 33 40 25 37 45 PUTS Jul Aug Sea Oct Jon t 1 2 3 5 9 19 5 45 72 1 2 3 5 9 19 5 37 67 3 4 6 10 16 26 45 72 6 8 11 16 21 34 51 80 30 - 43 - 65 98 8 July 31 Total Contracts 35,097
Calls 27,184 Puts 6,913
FT SE Index Calls 7,278 Puts 3,534
**Uncerlying security price. # Long Gated empiry myths

240 32 45 48 1 4½ 6 260 15½ 29 32 5 9 11 280 6 16 20 16 19 21 37 41 46 1 2 2½ 17 23 29 1 5 7 2 t0 16 8 13 14 200 23 29 36 5 6½ 9 220 9½ 16 22 13 14 16 260 280 28 36 45 5 7 9 14 22 31 13 13 14 493 39 54 78 2 12 15 542 51₂ 30 45 19 29 35 r-276 / Scot. & New 360 19 45 61 4 20 26 (9377) 390 5 29 43 20 32 38

140 16 22 25 64 9 11 150 64 10 14 16 19 20

9.44 9.10 9.62 10.29 9.49 9.15 10.42 9.71 9.34 9.08 9.51 9.14 9.06 10.32 9.51 9.17 10.45 9.74 9.37 9.12 4 Medium 5 Coupons 5 years.... 25 years.... Reitick Cov 118.75 +0.09 118.64 7.13 9.39 10.07 1 5 years 6 7 High 3 Coupons 9 8.26 134.74 +0.18 134.50 2 5-15 years 5 years... 9.78 9.43 9.63 148.26 +0.19 147.97 7.09 3 Over 15 years... 25 years. 7.32 189.22 +0.46 168.45 4 Irredeemables: 132.49 +0.16 132.28 7.86 5 All Stocks 2.86 3.50 2.07 3.33 2.99 3.51 2.20 3.34 Index Links 11 inflation rate 5% 1.36 12 inflation rate 5% Over 5 yrs.
2.33 13 inflation rate 10% 5 yrs.
2.24 14 inflation rate 10% Over 5 yrs. 141,33 +0.43 140.72 3.83 6 Syears 138 88 40.29 138.48 -138.95 10.30 138.53 .-12.39 11.85 11.32 12,40 11.85 10.93 5 years.... 15 Date 4 6.16 16 LER 15 years..... miteres & Long. 113.48 +0.01 |113.46 -11.32 10.89 10.26 9.71 1 30.24 Appening index 2303.4; 10 km 2310.4; 11 km 2315.4; Noon 2315.9; 1 pm 2310.B; 2 pm 2311.5; 3 pm 2313.1; 3.30 pm 2308.3; 4 pm 2303.5

13) 11 20am (b) 5 00 pm + Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A fist of constituents is available from the Publishers, The Figure Lia Times, Number One, Southwark Bridge, London SEI 9HL, price 15p, by post 349. Share price falls as directors issue warning of stagnation in US and UK markets

Lex Service edges ahead 5% to £36.8m

SHARES IN Lex Service, the vehicle and electronic components distributor, yesterday fell 14p to 363p as the directors expressed caution over current trading together with the annoucement of virtually static

interim profits.

Directors said the group was experiencing some weakening in both the US and UK economies and expected its markets to stagnate or slow down in the

rest of the year.

They expected the UK car market to slow down after peaking in August, and anticipated that the group's retail businesses would face increasingly difficult market condi-tions. Lex also said there was unlikely to be any improve-ment in the US or European electronic components distribution markets in the next six

Figures for the six months to July 2 showed a 5 per cent increase in pre-tax profits from E35m to E36.8m. Sales were up nearly 18 per cent at £1.02bn (£867.6m) and operating profits

CRYSTALATE HOLDINGS, the

electronics components com-

pany, yesterday made its sec-

Excalibur Grouptin

Prism Leisure §fin TR Trusteesfin

were 11 per cent higher at £38.8m (£35m), but a higher interest charge of £7.3m (£4.1m) checked profits at the taxable level.

Vehicle distribution sales rose by 17 per cent to £754.7m (£643.5m) but margins were iower and operating profits advanced by 13 per cent to £37.2m (£33m). National vehicle sales in the 300

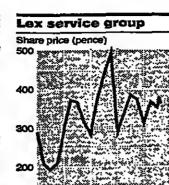
first six months of the year were 8 per cent higher at 1.2m, but Lex said the market was being driven by company car sales and manufactursrs' incentives which had put pressure on margins. Volvo Concessionaires sold

42,555 cars — 5 per cent more than the previous year — although its market share declined from 3.67 per cent to 3.56 per cent. Sales of the 200 and 700 series executive cars were ahead by 13 per cent, but the under-supply of cars for the launch of the mid-range 440 hatchback cars held back over-

all sales.

Dan Perkins, the Nissan

Crystalate sees second-half fall



dealership acquired this January, made a strong and profit-able contribution to these results, while Campbell Automotive, Lex's jointly-owned car retail operation in the US, increased sales and showed a

small pre-tax profit.

Lex's vehicle leasing operation, which is jointly owned
with Lombard North Central,
increased its fleet to over

47,700 vehicles. But Lex said it was feeling the effect of higher interest rates and lower residnal values on used cars.
The electronic component

distribution business pushed up trading profits from £5.2m up trading profits from £5.2m to £5.4m on turnover 17 per cent ahead at £241.5m (£206.6m). This result, however, contained marked regional differences. Both the UK and US operations saw profits fall but the profit contribution from West Germany and France tra-bled to £1.2m bled to £1.2m.

bled to £1.2m.

The computer systems distribution business reduced losses from £900,000 to £800,000.

The board has declared an interim dividend of 5.9p (5.4p).

Earnings per share grew from 25.6p to 26.7p.

COMMENT

Lex has had a tough time this half, but tougher still will be the half ahead. Lex was cautious on almost every front yesterday but it especially warned that cost reductions at its US electronic components unbunding, but this seems unlikely given its association with Volvo. It is believed that the Swedish car manufacturer could not easily be persuaded to transfer its concession and is anyway quite content with Lex's undoubted sales skills.

tronics and computer systems businesses once again raises the question of whether they are worth the struggle, but Lex was yesterday keen to stress that it is determined to finish what it has started Opinions were divided as to what extent the tightening economic cli-mate will squeeze text some analysts have downgraded full year profit forecasts to below last year's £70.4m, while others have suggested an advance to over £72m. If profits are assumed to be static, then the prospective multiple will work out at just over 7, representing one of the lowest ratings in the sector. At that level, it might be thought that Lex is ripe for unbundling, but this seems unlikely given its association with Volvo. It is believed that

Polygram to purchase Island Records

By John Ridding in London and David Brown in

POLYGRAM, the record industry subsidiary of Philips, the Dutch electronics group, is expected to announce today that it is buying Island Records, one of the world's largest independent record

Both Island and Polygram confirmed yesterday that they were holding talks and said that an announcement would be made this morning. However, they refused to comment on whether a deal has been finalised and on the sums involved.

A spokesman for Island said that the company "has been talking to a number of corporations" and that it was "looking for a deal which would give us economic security." However, he stressed that "greating autonomy was a that "creative autonomy was a priority in any deal."

mriority in any deal."

Mr Christopher Blackwell, chairman, founded Island records in 1962 as a mobile reggaa record shop. It has since grown to be one of the world's largest independent labels, behind A&M and Geffen of the US.

Over the last few ways there

Over the last few years there has been increasing consolida-tion in the industry as the larger companies have sought to increase market share through the acquistion of independent and smaller compa-

nies.
Earlier this year Thorn-EMI Earlier this year Thorn-EMI acquired a 50 per cent stake in. Chrysalis Records and last year MCA of the US bought Motown Records of Detroit. Island has itself received approaches in recent months, including offers from CBS, Song and Women. Sony and Warner.

The principal artists currently on its label include U2, Robert Palmer, Grace Jones, Brian Ferry and Courtney Pine. The label's catalogue also includes the records of

also includes the records of Rob Marley.
Polygram, which owns the Deutsche Grammophon, Decca and Polydor labels, is strongest in the classical music market, and analysts say the acquisition of Island would provide a much-needed fillip to the popular end of its line.
Operating margins are thought to have declined over

thought to have declined over the past year, along with the price of compact discs, but Philips does not break down

sales and earnings.

Analysis in Amsterdam sald that Polygram has estimated annual earnings of about Fl 240m (£68.6m.) It is, therefore, erwise poor results in Philips' consumer electronics division, which last year saw earnings plunge from Fl 415m to Fl

Pearson buys French medical publisher

Pearson, tha publishing, banking and industrial con-glomerate which owns the Financial Times, is expanding its medical publishing interests in France through the acquisition of a 75 per cent stake in the Tonus group for £1.33m.

£1.33m.

The acquisition is being made through Les Echos, the French publishing group acquired by Pearson in April last year, and there is a five-year option to acquire the remaining 25 per cent.

The core activity of Tonus is the publication of a bi-weekly

the publication of a hi-weekly magazine, Tonus Medical, and it also publishes Tonus Den-taire, a dental magazine,

Les Echos already owns a number of medical publica-tions, including Le Panorama du Medécin and La Revue du Practicieu.

Prism Leisure Corporation

cassettes, compact discs and computer games for resale in the UK and overseas, improved to £7.78m (£6.07m). Earnings fell to 8.7p (11.8p) and a final dividend of 3p makes a total of 4.5p (4.45p).

DRG selling in NZ.

DRG, the stationery and packaging group, is selling its Nsw Zealand Canon business

The purchaser is a newly established subsidiary of the New Zealand government con-sents, is scheduled for comple-tion by September 1.

Blacks Leisure bids £32m for Goldberg

A £32m BiD battle broke out yesterday between Blacks Lei-sure, the sports and leisurew-ear retailer and a former high-filer in the bull market, and A Goldberg, the Glasgow-based fashion retailer.

fashion retailer.

Blacks announced yesterday morning that it was making an all paper offer for Goldberg, offering 22 of its shares for each Goldberg share.

If successful, this would virtually double Blacks equity base, and lead to the issue of a heaty 375.5m new shares.

The bidder has secured an irrevocable undertaking to accept the offer from Charterhall, the UK investment company headed by Mr Russell

pany headed by Mr Russell Goward, the Australian busi-nessman. Charterhall holds 29.9 per cent of Goldberg, hav-ing first emerged as a share-holder in August 1967.

Blacks said yesterday that it had attempted to secure agree-

ment from Goldberg before launching its bid. It had had one meeting with the target company recently, said chief executive Mr Simon Bentley, but it had quickly become apparent that discussions were "going nowhere".

Goldberg conceded that there had been some contact in the recent past, but said that nothing had emerged which it could recommend to sharehold-

Yesterday, Goldberg wasted little time rejecting the bid. It said that it viewed the offer as "wholly inadequate" and would write to shareholders

shortly. In the meantime, it urged them not to sell their shares. Around 17 per cent are held by the family: Scottish Amicable has almost 7 per cent, and Scottish American Investment Company around 5 per cent. Blacks shares eased from 8%p to 8%p, making its offer worth 187p per Goldberg share.

Goldberg gained 3p at 178p.
Blacks has had a compli-cated history in recent years. It

was pulled back from impending receivership in late 1986 by a consortium of inves-tors led by Mr Bernard Gar-bacz, a Wembley-based accoun-

In the bull market, it used its highly-rated paper to make a series of acquisitions, adding a number of sportswear and tex-tile businesses to the core. camping sbops chain. Its shares rose from as little as 1%p to almost 50p, before dropping sharply just before and after the 1987 crash.

Mr Garbacz has since handed over the running of the business to his son-in-law, Mr Bentley, and has sold the majority of his shares to Mr Byron Radaker, a US inves-

Goldberg has been the subject of much predatory speculation — fuelled by the Charterhall holding. It recently announced a £2.92m loss before tax for the year to March 25 and a reduced final divided. This was blamed on the coinci. This was blamed on the coincidence of reduced sales volumes and expansion expenditure. The company trades under the Goldberg, Wrygges, Schuh, and Ted Baker – shirt specialists – names.

Blacks argues that its management would strengthen Goldberg's operations, make better use of the trading space - moving its own subsidiaries into some of the outlets - and that its textile operations could belp on the design and merchandising side.

It suggested yesterday that if two Goldberg freehold sites in Edinburgh and Glasgow were sold for around £12m - well above book value - debt for the merged group could be around £2m compared with ast assets after reorgani-sation costs of around £30m. Blacks' gearing at the Febru-

ary year-end was around 90 per cent. Its own pre-tax profits last year fell back from £5.35m to £3.97m.

Blackwood Hodge US purchases

Blackwood Hodge, the machinery division in Florida has bought HF Mason Equipment distributor, has purment. chased two dealerships in North America writes Nick

Mitchell, its US distribution company, has bought parts of AE Finley, which gives Black-wood the distributorship for wood the distributorship for for a 50 per cent interest in SK Dresser equipment in Virginia. Also, its Linder industrial distributor of machinery.

Blackwood currently has

The two acquisitions, which cost some 24m, will raise this by about £30m. Blackwood has also paid £4m

sales of about £150m in the US.

North Sea Assets losses trimmed

specialising in oilfield support services, incurred a pre-tax loss of £99,000 in the six 0.24p (0.35p). Net asset value months to March 31 1989. The

North Sea Assets, an outcome compared with a defiany cit of £149,000 in the compara-

was unchanged at 15.4p.

BOARD MEETINGS

FUTURE DATES

MONTHLY AVERAGES OF STOCK INDICES

	July	June	May	Apr.
Financial Times				
Government Securities	85.24	84.63	86.47	88.41
Fixed Interest	96.87	85.78	97.26	97.19
Ordinary	1863.3	1779.7.	1775.6	1700.6
Gold Mines	197.9	186.41	173.3	188.0
SEAQ Bergains (5 p.m.)	26,123	25,411	26,075	28,281
F.TActuaries				
Industrial Group	. 1192.65	1145.01	1139.82	1100.5
500 Share	1273.48	1222.95	1214.28	1174.7
Financial Group	763.63	730.24	746.44	731.2
All-Share	1148.56	1101.70	1099.89	1086.8
FT-SE 100	2246.8	2147.3	2137,2	2065.6
	· · July .	High	July	Low
Ordinary	. 1924.8 (28th)		1791.6	3 (3rd)
All-Share	1176.88	(28th)	1106.6	3 (3rd)
FT-8E 100	2306.0	(28th)	2181.	5 (gtp)
†Corrected figure				

ENERGY INTERNATIONAL N.V. (Incorporated with Limited Liability in the Netherlands Antilles)

Shareholders in the Fund are advised that payment of a dividend of US\$2.00 per share for the year ended 31st March, 1989, has been approved by the Annual General Meeting held on 31st July, 1989. Conpon number 20 on bearer share certificates will be paid on esentation at the offices of the Paying Agents on and after 3rd ignst, 1989. Cheques will be posted to holders of registored shares

Copies of the Report of the Fund for the year ended 31st March, 1989 will be available at the offices of the banks and brokers from ray will be available at the offices of the banks and brokers from from shares were purchased and at the offices of the Paying Agents.

Curação, 1st August, 1989 By order of the Board of Management

NOTICE TO THE HOLDERS

XEROX CREDIT CORPORATION US DOL 125,000,000 10 PERCENT NOTES DUE JUNE 21, 1965

dice is hereby given that the fiscal and paying agency agreement entioned notes was amended on July 21, 1889 to change the see from US Col 5,000 to US Col 1,000 and US Col 10,000.

pared with £5.7m in 1967-88. Yesterday, analysts wers downgrading their forecasts for the year to September 30 to between £3m and £3.5m. ond profits warning in two years when it indicated that its Last year, the company warned of disappointing interim pre-tax profits because of problems at its Welwyn subsidiary. Mr Nigel McLean, chairman, market to improve soon. In addition, Besson suffered a slowdown in demand from second half results would be significantly below expecta-

The news caused the shares to fall 16p to 89p and followed indications at the time of the interim results that the second half would be substantially better than the first.

DIVIDENDS ANNOUNCED

Oct 20 Oct 31

Sept 29 Sept 15

Dividenda shown pence per share net except where otherwise stated.

*Equivalent after allowing for scrip issue, tOn capital increased by rights and/or acquisition issues. SUSM atock. SSUnquoted stock. Third market. *Carries scrip option. *>For 15 months.

CORPORATE

ENTERTAINMENT

The Financial Times proposes to

publish this survey on:

12th September 1989

For a full editorial synopsis and

advertisement details, please contact:

Wendy Alexander on

01-873 3524/4893

or write to her at:

Number One, Southwark Bridge,

London, SE1 9HL

FINANCIAL TIMES

Current Date of

payment payment

resigned after a dispute over the appointment of a new chief executive, Mr Robert Eade, for-Pre-tax profits for the six months to end-March were £2.29m and analysts were then merly of Thorn EMI. Lord Jen-kin of Roding, the former Con-servative Environment forecasting profits of £6m to £6.5m for the full year, com-Secretary, is now chairman. This year, Crystalate said

that poor demand in the US antomotive and computer peripherals markets affected its IRC US subsidiary. Mr Eade said he did not expect the US

telecommunications customers in the UK and both Microcircuits and Welwyn Electronic Systsms were affected by rescheduling of customer

Crystalate said that "decisive management action is already underway", the bene-fits of which should be evident in the next financial year.

Addison design division sold to management

By Ray Bashford Addison Consultancy, the market research group, has completed protracted negotiations for the sale of the design division to its management for

The disposal is the last stage in a troubled restructuring of Addison which remains vul-nerable to takeover from MAL, the diversified advertising and

financial services group.

At the height of Addison's problems last June the com-pany's financial, legal and stock broking advisers resigned during a boardroom coup about the terms of the design company buy-out. The sale of the company fol-

lows the disposal of Streets, the public relations arm to a management team and Mich-ael Page, the recruitment services business, within the past 18 months.

Mr Steve Smith, the former chief executive of Addison, is heading the bny-out of the design company and is paying £4.73m cash with the balance

in loan notes. The deal also contains a deferred consideration of up to £2.2m pegged to the perfor-mance of earnings. Addison will have the right to take up to 10 per cent of the former subsidiary by 1992 in two

subsidiary by 1992 in two tranches.
MAI holds about 25 per cent of Addison's capital and has been considering a takeover for the company for at least 5 months. The difficulties that have been encountered in disposal of the design business have been an obstacle to a MAI's bid plans. However, talks between MAI and Addison are likely to resume following the sale.
MAI would have to win the snpport of Motivaction, a French market research company with three seats on the

pany with three seats on the Addison board and 25 per cent of the capital, for success in a

Souza Cruz doubles net profit to £63m

Souza Cruz, the 75 per cent-owned subsidiary of BAT Industries, one of Brazil's largest companies, yesterday said net profit for the six months to Inna 20 more than dealed to June 30 more than doubled to 203.9m New Cruzados - about £63m using current conversion Bnt BAT warned that the

high rate of Brazilian inflation could lead to a significant readjustment by year end. The results are also not in line with Brazilian accounting practices and may be altered before being consolidated.

On an inflation adjusted backs not work to a significant for the basis, net profit rose from 87.9m new Cruzados to 203.9m, a result of high liquidity and a 55 per cent increase

in cigarette prices. Total cigarette market volume in Brazil grew 1.4 per cent from a year earlier and market share moved down slightly to 78.6 per cent. An interim dividend of NCz 220 per thousand shares was pro-

Bank of Ireland sells \$40m Mexican debt

By Stephen Fidiar, Euromarkets Correspondant

THE BANK of Irsland said yesterday it had sold \$40m (£24m) of Mexican sovereign debt, reducing its Latin American loan book to a mere \$4m and its sovereign debt exposure to all rescheduling countries to \$27m.

Mr Michael Meagher, the bank's chief financial officer, said that the loans had been sold for cash in the secondary market at 60 cents on the dol lar. The loans were short-term finance to the Mexican government, which commands a higher price than Mexican medium-term debt which trades at about 44 cents on the

Bank of Ireland had established provisions on the Mexican loans equal to some 42 per cent, so the sale would have no impact on the bank's profits, he said. The remaining expo-sure, a significant proportion of which is to Poland, was 48 per cent provisioned.

Against a background of fall-

ing prices for most loans to problem debtor countries, the bank has reduced its portfolio from \$160m at end-March 1988. exchanging the loans almost entirely for cash. The bank announces its first half results on September 30.

Royal Bank plans issues to strengthen capital base

By David Lascelles, Banking Editor

THE ROYAL BANK of scotland Group is proposing a series of steps to strengthen its capital base.

amount of tier 2 capital. When calculating their capital ratios, banks can only include tier 2 capital base. They include issues of noncumulative preference shares denominated in both sterling

and dollars along the lines of similar issues made recently by other UK clearing banks. These issues count as tier 1 or core capital under the new international guidelines. They can only be redeemed with Bank of England approval, provided they are replaced by capital of equal quality.

Upon approval, the group will raise about \$230m (£140m) in the US market, but there are no immediate plans for the issue of the balance of dollar denominated shares, nor for those denominated in sterl-

This capital will enable Royal to make use of a greater

equivalent amount of tier 1 capital. Royal is due to receive up to \$200m of tier 2 capital from Banco Santander, its Spanish partner. Mr Kenneth Thompson,

group finance director, said the new capital would raise Roy-al's risk asset ratio from its present level of 11.4 per cent to the low teens, compared with the internationally agreed minimum of 8 per cent.

The group is also proposing

to increase its authorised share capital to £260m with a view to capitalising about £119.2m of revaluation reserves through a three-for-two scrip issue. All the measures will require shareholder approval at an extraordinary meeting on August 30.

COMPANY NEWS IN BRILL

ANGLO UNITED has received acceptances representing 59.8 per cent of Coalite, its bigger competitor in the fuel distribu-tion business. Last Friday the company announced that it held slightly over 50 per cent following the revised offer of 475p cash per share or a cash and shares alternative.

BARDSEY has purchased

700,000 Sale Tilney ordinary shares (2.75 per cent) for £1.5m, equivalent to an average 214p

equivalent to an average 214p per share.

BETACOM has acquired Answercall for £200,000 to be satisfied on completion by the payment of £123,521 cash and the issue of 140,156 Betacom shares. Further consideration is dependent on profits. For the is dependent on profits. For the year to end April Answercall incurred a pre-tax loss of £621,000 on turnover of £5.6m. J BIBBY & Sons has sold WFP Agriculture, a wholly-owned subsidiary, to JSR Farms for around £4m cash, the approxi-

mate amount of the net assets involved. BOSCOMBE PROPERTY: Gross rental income £574,374 (£529,767) and pre-tax profits £62,275 (£108,887) for year to March 31. Earnings per share 85.14p (82.5p). Continuing maintenance programme bas again depressed profits.

CAMBRIDGE ELECTRONIC Industries is selling MTL Microtechnology to Rood Testhouse international of the Notherlands.

Netberlands. Initial consideration is some £900,000 with an additional deferred amount not exceeding £500,000 dependent on the level of activity of MTL over the next two years. CEI will utilise the initial price to subscribe in January 1990 for shares in Rood and has been granted an option to utilise the additional sum to cohere to the subscribe the subscribe to the subscribe the subscribe the subscribe to the subscribe to the subscribe the subscribe to the subs granted an option to utilise the additional sum to subscribe for further shares in 1992.

CHILD HEALTH Research investment: Earnings per share in the first half of 1989 came to 0.44p (loss 0.82p). Net asset value at the end of the period 47.5p (41.4p).

period 47.5p (41.4p).

COMPUTER PEOPLE is acquiring William D Farlow and Associates for \$1.2m (£725,000),

pany sold £1.48m of new annual premium personal pension plans. New ordinary life business rose to £3.19m (£1.89m) of new premiums. Mortgage related business expanded to £0.85m (£0.5m). Industrial branch new premiums declined to £3.57m (£6.37m).

1989 (140.5p at end-December 1988). After-tax revenue for six months period £1.26m (£1.08m). Tax £479,000 (£405,000). Gross income £1.86m (£1.6m). Interim dividend 5p (4.3p).

financed by a placing of 286,690 shares. A further consideration up to \$3m is payable dependent on profits. Farlow is a computer consultancy serving the Chicago market place, the sec-ond largest market place for

computer services in the US.
Farlow broke even in 1988 and
in the first half of this year
made pre-tax profits of about \$175,000. DERBY TRUST: Gross income £1.2m (£939,903) for six months

to June 30 1989. Net income £769,726 (£597,520). Earnings per 25p income share 6.5176p (5.0594p) and interim dividend 6.5176p (5.0594p). Company cau-tions that it would be unrealistic to assume that same per-centage growth in net income would be achieved in second JACOBS (JOHN I): Turnover

for first half of 1989 was £1.92m (£1.57m) and pre-tax profit £614,000 (£389,000). Earnings 1.95p (1.21p) and interim divi-dend 1.5p (same). LONDON WALL Holdings:

LONDON WALL Holdings: Pre-tax profits £937,000 (£325,000) on turnover of £2.42m (£1.02m) for half year to March 31 1989. Earnings per share 15.7p (5.5p) and interim dividend 3p (nil). Group to form joint company with Britannia Arrow Holdings to provide investment management services for Lloyd's syndicates and private investors.

UNITED FRIENDLY Insurance: New business at record levels in first half of 1989. Company sold £1.48m of new annual premium personal pen-

(26.37m).
YEOMAN INVESTMENT
TRUST: Net asset value per
capital share 178.3p at June 30

Downturn at Prism

Prism Leisure Corporation returned profits of 2550,000 pre-tax for the 12 months to end-March, a downturn of £112,000 on the previous year. Profits for the second six months fell by £158,000.

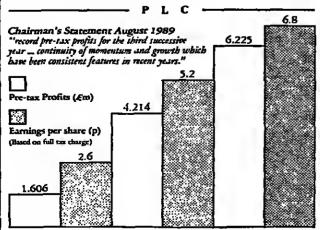
Turnover of the USM-quoted company, engaged in the purchase of wholesale records, cassettes, compact discs and

nschine operations.

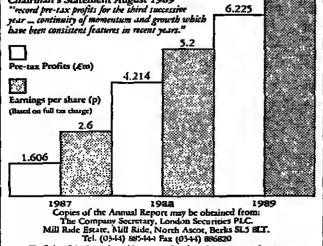
The Bristoi-based company, in which Mr Roland Franklin, the US-based investor, holds a 16.6 per cent stake, is selling the business for around NZ\$13.25m (24.68m).

Japanese Canon photographic and business machine supplier. The disposal, subject to

SECURITIES



LONDON



The Rules of the Securities and Investment Board require a gatement that pair formance is not uncestarily a guide to the future. The contents of this adversament been approved for the purposes of The Futureal Services Act 1986 by Blyth Dutron, a firm authoused by The Law Society to carry on investment business.

UK COMPANY NEWS

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Seven buys help Excalibur show 82% expansion

G 17 Table of Bully of State o BOOSTED by acquisitions, Excalibur Group, the Birmingham based jeweilery, precision engineering, and merchandising company, increased pre-tax profits by 82 per cent to £2.73m in the year to April 30.

This compared with the silbm achieved in the previous year, although that figure was restated to include several of the acquisitions on a merger accounting basis. Mr Michael Griffiths, chair-

man, said Excalibur had been transformed over the last two years from a loss-making com-pany into a dynamic and prof-itable group. In the last year turnover nearly doubled to 229.02m (£14.98m).

The jewellery division, which forms the bulk of the group, contributed 61 per cent of operating profits. Mr Richard Griffiths, the managing director and brother of the chairman, said. "We see the jewellery business as a highly fragmented industry. Rathers set about the retailing side and

we are doing the same on the supply side."

The company cited estimates that the total jewellery market would increase by 60 per cent between now and 1992. The supply side was currently worth about £750m. "We would

seven like to have 10 per cent of that ir Group, market and the opportunity to grow our market is very substantial indeed."

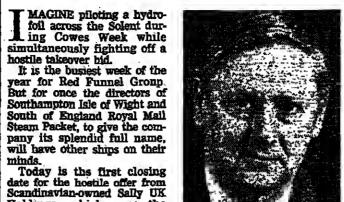
However, Excalibur was also developing its precision engineering business partly to lessen its exposure to the jew-ellery market which it claimed was tied to the unpredictable gold price.

Excalibra's engineering activities contributed 19 per cent of operating profits. Supplies of components to Rolls-Royce, including fuel vanes for the RB211 aero-engine accounted for about 50 gine, accounted for about 60 per cent of the division's out-put, but it also supplied compo-nents for the atomic industry, the Ministry of Defence and

Vickers. Our order book has never been so full and our strategy of diversifying would seem to be paying off," Mr Richard Grif-fiths said.

Excalibur's merchandising interests, which include supplying leisure goods to motor-way service stations, accounted for 20 per cent of trading profits. Turnover grew rapidly from £2.3m to

A final dividend of 0.75p is proposed to make a total of 1p (0.05p). Earnings per share rose to 6p (3.42p).



Michael Wilkinson: heeding the local Red Funnel team.

Wight and the mainland.

Profits bave been choppy recently, but the company argues that new management — headed by Mr Michael Wikinson who took over as chairman in 1988 - and a new atti-tude have seen off the squalls. Later this year, Red Funnel plans to commmit soms £7m or £8m to the purchase of a new ferry and a faster vessel to supplement the hydrofoll service.

There are promises of computerisation for the ticket service and modernisation of ter-minal facilities on both sides of

Red Funnel is also the local player. About 42 per cent of its shareholders are individuals, many of them entitled to free or discounted travel on the ser-

its freehold, for £280,000.

Mr William West, chairman, said the acquisitions reflected

the company's strategy of

increasing its asset base. Hs said that the company had moved into hotels to reduce its

dependence on the cyclical

business of stockbroking and that Principal Hotels now rep-resented the bulk of the

group's activity.
The combined profits before

interest of the Ladbroke hotels

were £1m for the year to the end of December 1988, before



Fighting against the stormy waters of the Solent

Andrew Hill assesses the task facing Sally UK in its efforts to take over the Red Funnel Line

vice, a perk which Sally has offered to maintain for those accepting its cash offsr. But there are disadvantages to the local connection: some believe Red Funnel has been too com-

fortable for too long.
Sally is the new boy from out of town. Mr Michael Kingsbott, the company's entrepreneurial managing director, made a personal fortune in the 1970s importing Japanese cars

through Sheerness in Kent.
His family still owns a haulage company, Sheertruck, but
in 1980 he was taken on by
Sally to assess the feasibility of running a new ferry service across the English Channel. The company's parents are Effoa-Finland Steamship, a quoted Finnish shipping group, and Johnson Line, part of the Swedish industrial conglomer-

ate Nordsternan Group Mr Kingshott refers to them as "Mummy", in a way which implies he would like to untie

The net book value of assets of these hotels stood at about

£7.5m at the end of June 1989 Jones Lang Wootton have val-

ued the interests in the hotels

at £13.15m on an open market

Following the acquisitions,

Principal will manage nine hotels, five of which are in the

UK. The four new European

hotels were originally acquired by Ladbroke as part of its

acquisition of Comfort Hotels

but were not re-branded follow-

the apron-strings. Since 1981, Mr Kingshott has built a new all-weather port in Ramsgate from scratch, set up

a new ferry line which now claims a 10 per cent share of the highly competitive crosschannel market, and developed a chain of travel agencies which market Sally Lins as part of a continental holiday

"It's taken me seven years to get to where Red Funnel has got to in 128 years," says Mr

Kingshott.
It has not been cheap and Mummy has been generous.
Sally first made a profit last year - £1.59m, mostly from the ferry service — and its immediate parent agreed to waive loans of 25m. Mr Kingshott says the Scandinavian companies would be prepared to make £150m-£175m available to Sally if necessary.

The structure of this deal is

complex and may offer Mr Kingshott even more freedom to develop the business through a quoted vehicle If Sally wins more than 51 per cent of Red Funnel, the excess shares will be placed with a consortium including Tranwood Earl, Sally's adviser,



Michael Kingsbott: new boy from out of town.

Globe Investment Trust, Investors in Industry (3i), and Mr

tors in Industry (31), and Mr Kingshott himself.

Apart from having access to half the £6m of casb or near-cash in Red Funnel's balance sheet, Sally will then sell its three subsidiaries — Port Ramsgate, Sally Line and Sally Leisure — to the Southampton group, at a price agreed by the independently-advised minority shareholders.

So what is the big attraction of Red Funnel for a group which has proved itself capable of building a service from Red Funnel carried 1.57m

ssengers of the 7m travelling between the mainland and the island last year. Mr Kingshott believes Red Funnel could win a larger share of that lucrative market, currently dominated by Sealink which plies between Portsmouth and Ryde.

"We'd be buying a captive market, which we can build on rather than taking a more painful route building up the goodwill," says Mr Kingshott,

who would also use package holidays to exploit the service His plans would probably require a combination of larger vessels, deeper harbours and major waterfront redevelopment at both ends of the jour-ney They are all projects which Sally planned or achieved on the Ramsgate-Dunkirk route, but Southamp-ton-Cowes may prove a more difficult proposition.

At the Southampton end, Mr Kingshott may not have helped matters last week by criticising Associated British Ports in the local press for favouring prop-erty development above shipping. ABP owns Southampton harbour, a part of which is leased to the ferry line

Mr Kingshott would need to negotiate with the group if he wanted to build an integrated ferry and leisure terminal on the waterfront - as he intends to do in Ramsgate. As for redeveloping Red Fun-

nel's two freebold sites in Cowes, one need only see the private interests entrenched on the waterfront and arrayed in all their regatta finery, to realise the scale of the task Mr Kingshott may have set him-

Sellar takes option over FSM stake

By Clare Pearson

MR IRVINE SELLAR has acquired an option to buy a large stake in Ford Sellar Morris Properties, the fast-growing property group of which he is chairman, from Mr Mel. Morris, a non-executive direc-

The option is to buy (before October 15) 7.6m shares at 200p each, which compares with yesterday's closing price

of 157p. Shares in Ford Seliar Morris, which in June launched an 284m agreed cash offer for fel-low property group Brook-mount, have risen sharply in

recent weeks.

They stood at around 115p before the company unveiled better-than expected taxable profits of £14.15m for the year to April 30

to April 30.

Putting together the shares
Mr Sellar holds, has voting rights over, or has an option over, his stake in the company amounts to 46.34 per

Confidence at Spong despite loss

ACTION TAKEN by the new board at Spong Holdings is beginning to have a impact on beginning to have a impact on the group's financial perfor-mance, and by the year end there should be an improving picture, according to Mr PR Lever, the new chairman. The £4m injection last May by a consortium eliminated bank borrowings and created cufficient reserves which were

have disposed of remaining non-core businesses, generating further cash reserves.

For the half year to April 30 1989 there was an attributable loss of £1.06m, compared with £51,000 in 1988 and with £3.66m for the whole of 1987-88.

continuing activities. There was an extraordinary charge of £918,000 associated with the mulation of the new policies of the changed board. Losses per share were 0.19p (0.31p).

Hotels buy for AC Holdings By John Ridding AC HOLDINGS, the financial services and hotels group, is to acquire four European hotels from subsidiaries of Ladbroke

sufficient reserves which were currently on deposit. By the autumn the board intends to have disposed of remaining

There was an operating loss of £145,000 (£79,000) from sales of £7.74m (£9.79m) relating to

ing its subsequent acquisition of Hilton International in deduction of an extraordinary loss of about £100,000. acquire the Parkhotel in Amsterdam from the owners of Acquisitions by WB as losses rise

By John Ridding

coastal resort.

WB . INDUSTRIES, the Midlands-based manufacturer of springs and pressings, announced two acquisitions and increased losses for the six months to the end of June. The results are the first

Holdings, which runs the Ramsgate-Dunkirk ferries. For

the time being Red Funnel's

the time being Red Funnel's shareholders, many of them local residents, are expected to ignore the approach. Sally aims to acquire 51 per cent of the company and its stock market listing, but at 205p in cash, the offer rise well short of the market price of 200p per share

market price of 229p per share. But if Sally lifts its offer, the

tiny bid should raise some much larger questions, testing local loyalties and pitting old

against new.

Red Funnel is old. Housed in

a cluster of small, panelled

offices a pebble's throw from Southampton harbour, the company has run ferries to the Isle of Wight since 1861, a business which generates a third of Red Funnel's profits Of the

rest, half comes from Red Fun-

nel's fleet of six tugs operating in Southampton, and half from a road haulage and warehous-ing business on the Isle of

Group, for a total consideration of £12.58m.

be made through AC's Principal Hotels subsidiary, comprise two leasehold hotels in Copenhagen, a leasehold hotel in

Amsterdam and a freehold

hotel in Noordwijk, a Dutch

In addition, Principal Hotels has purchased an option to

The acquisitions, which will

since the company came under new management in April. Mr Graham Avery, the new chairman, said pre-tax losses of £317,000 for the first half com-pared with £34,000 last time paren with 134,000 last time reflecting substantial trading losses in the opening quarter. Included was an exceptional payment of £75,000 to Mr David

Cooper-Smith, the former The issue of new shares was chairman, on the termination of his service agreement. Turnover fell from £2.04m to

£1.49m Losses per share increased from 0.07p to 6.34p and there is no dividend. The acquisitions comprise Doric, a manufacturer and dis-tributor of bedding springs, and Bettmin, a maker of coil springs to the engineering and electrical industries.

Combined cost will be £2.3m to be satisfied through a plac-ing and open offer of a total of 3.67m new shares at 70p each.

made possible by a restructur-ing of the capital, following the introduction of new managemeot, whereby the accumulated arrears of preference divi-

Mr Avery said that "following my appointment much has been done to tackle the problems facing the company. However, the benefits will not be reflected until the second

He expected the company to be profitable for the whole

Edinburgh. Coosideration of £800,000 comprises £650,000 cash and the issue of 93,168 Evered shares. The companies will become part of John Fyfe, Evered's quarry and quarry products group which is based in Scotland.

PERSONAL COMPUTERS & SOFTWARE

The Financial Times proposes to publish a Survey on the above on

Wednesday, 27th September 1989

For a full editorial synopsis and advertisement details, please contact:

Meyrick Simmonds

on 01-873 4540 or write to him at:

Number One, Southwark Bridge London SEI 9HL.

FINANCIAL TIMES

SHEFFIELD

The Financial Times proposes to publish a Survey on the above on

8th September 1989

For a full editorial synopsis and advertisement details, please contact:

HUGH G WESTMACOTT

Tel: 0532-454969 Fax: 0532 423516 or write to him at: Permanent House. The Headrow, Leeds LS1 8DF

FINANCIAL TIMES

Pearl benefits from boom in personal pensions

By Eric Short, Pensions Correspondent

THE PERSONAL pensions particularly in contracts for boom in the final weeks of the 1988-89 tax year enabled the Pearl Group to record a 15 per cent rise in new annual premi-ums, from £39.99m to £46.08m, and a 50 per cent growth in single premiums, from £57.41m to £86.3m, in the first half of

Pearl, with its strong direct sales force, sold 90,000 personal pension policies in the period, of which 75,000 were effected before April 6. Total new annual premiums amounted to £24.25m and single premiums

This brought the total number of personal pension contracts sold since their introduction a year ago to 157,000 – almost five per cent of the market. ket. However, the company reports considerable continued interest in personal pensions beyond the ending of the tax

The group had considerable success in other pension sales,



13.955% per annum Interest Period: 31 July, 1989 to 31 August, 1989

Interest Rate:

Interest Amount per £5,000 Note due 31 August, 1989: £59:26

Interest Amount per £50,000 Note due ... 31 August, 1989: £592.61

employees transferring out of company pension schemes which accounted for £25.09m of single preminms, against £18.13m last year.

Pearl recorded a one-third rise in new annual premiums from conventional ordinary branch contracts from £6.31m to £8.42m. This partially offset a 30 per cent decline in industrial branch business from £15.67m to £10.62m.

BBB Design rises to £554,000

The USM-quoted BBB Design areas is expected in the current group recovered in the second half to produce pre-tax profits of £554,000 for the year ended

April 30 1989. This compared to £513,000 pre-tax in the previous year. Turnover improved to

52.68m (£2.52m).

The graphic design, publishing and marketing divisions all improved their profitability. Further growth in these

The computer related divi-sion had borne the non-recurring losses at Database Information Services, and could look to increased profitability and the release of management resources for further develop-

reduced turnover of £19.28m

Market conditions were diffi-

Earnings were 4.32p (4.14p) and the dividend is increased to 1.75p (1.5p).

Evered expansion

Evered has scquired three aggregates businesses, Truck-crete, Diamond Gravel and Gifford Gravels, all based near

MINS DIGIST

Soviet joint venture for **Tiphook**

TIPHOOK, the UK container rental company involved in a joint hid for Sea Containers, has set up a joint venture company to introduce trailer rental to the Soviet Union, writes

Andrew Hill.
Central Trailer Rentco
(CTR), Tiphook's trailer rental
subsidiary, has signed two agreements with Soviransavto, the Russian road transport company which will supply inside knowledge of its domes-

Sovtransavio will also provide staff and depot facilities and help Tiphook smooth the way at ministerial level. The UK group will offer invest-ment, trailer rental and mar-keting expertise and help develop spare part control and

purchasing. CTR - which already rents to Sovtransavto from the UK, West Germany, the Nether-lands and Finland — will pro-vide trailer rental to the com-pany in 10 west European countries and hopes the deal will boost rental volumes.

Burston-Marsteller

group, has acquired Conti Pub-lic Relations, of West Ger-

many.

The deal, which made Burston-Marsteller the largest PR firm in West Germany, also gave it a presence in Austria. Before the acquisition it ranked third in size in West Germany with offices in Frankfirst and Hereburge.

furt and Hamburg Burston-Marsteller declined to put a price on the deal but said the combined German operations would have an annual income in excess of

Merrydown 13% ahead at £1.68m

A 13 per cent advance in pre-tax profits from £1.48m to £1.68m was announced by Merrydown Wine, USM-quoted cider producer, for the year to March 31 1989. Turnover rose from £11.96m to £13.13m.

A final dividend of 5.5p (4.44p adjusted) is recommended for a 6.5p (5.33p) total. Earnings worked through at 22.17p (20.15p) per share.

Forminster advances on reduced turnover

Despite difficult market conditions, Forminster improved its pre-tax profit by almost 7 per cent in the year ended April 30

In difficult trading conditions, Holders Technology beld pre-tax profit at £285,000 in the half year ended May 31 1989, compared with £282,000. Turnover of this USM-quoted

distributor of tools and equip-ment to the printed circuit board industry, came to £1.41m (£1.44m). It held its position in what had so far been a soft UK market, while sales in Ger-many, Switzerland and Austria were developing satisfactorily. Earnings came through at 6.15p (6.68p) in the half year, and the interim dividend is again 2p. However, the cost of such goes up to £60,000 (521,000) as Mr Weinreich gave

Holders static at £285,000

a waiver on his personal holding in 1988. purchase

1989

The group, which manufactures and sells outer clothing, national public relations made £213m (£1.99m) from a Although earnings fell from Lower farm incomes

21.4p to 16.9p per share, directors of Sidney C Banks, the

grain and agricultural mer-chant, are holding the dividend cult in the UK where retailers reported poor results generally, and the directors said it was difficult to see a substantial change in conditions over the short term. However, they at 7p for the year ended April 30 1989. At a time when farm At a time when farm incomes and investment were at their lowest in real terms for some decades, the performance and profits "must be regarded as satisfactory", they claimed.

Turnover advanced to £132.39m (£118.8m) but pre-tax profits fell 16 per cent to £1.8m (£2.18m). The final dividend is 4.875p. were cautiously optimistic of another satisfactory year. Earnings for 1988-89 were 38.99p (34.78p) and the dividend is raised to 9p (8.1p) with a final of 6.25p.

Expanding SMAC at £700,000

The SMAC Group of Essex-based motor dealerships improved pre-tax profits in the first half of 1989, and is paying a maiden dividend — an

interim of lp.

From a reduced turnover of rom a reduced turnover of the profit worked through at £702,000 (£688,000), and earnings at 3.56p (3.84p). The comparative turnover included £3.4m from the profit of the

activities discontinued in 1989. SMAC was continuing its policy of acquiring more fran-chises. In addition to the acquisition of a Toyota dealership in Norwich, it had last month bought a Renault dealer in

There was an extraordinary profit of £791,000, representing proceeds from the sale of prop-erties less termination pay-ment made to a retiring dirThis notice is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities



HUNTING GIBSON plc

(to be renamed Hunting plc) (Incorporated in England, Registered No. 974568)

Issue of up to 47,350,826 new 8.25 per cent. cumulative convertible preference shares of £1 each in connection with the offers to acquire the whole of the ordinary share capital and listed convertible unsecured loan stock (other than that already owned by Hunting Gibson plc and its subsidiaries) of Hunting Associated Industries plc and Hunting Petroleum Services pic.

Particulars of the new 8.25 per cent. cumulative convertible preference shares of £1 each will be available in the Extel statistical service from today and copies of the Listing Particulars may be obtained during usual business hours up to and including 3rd August, 1989 for collection only, from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 15th August, 1989 from:

> Hunting Gibson plc. Bowater House, 68 Knightsbridge, London SW1X 7LT

J. Henry Schroder Wegg & Co. Limited, 120 Cheapside, London EC2V 6DS

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London EC4R 3TS 1st August, 1989

COMMODITIES AND AGRICULTURE

Ministry names areas of nitrate fertiliser control

By Bridget Bloom, Agriculture Correspondent BRITAIN'S effort to restrict the use of nitrate fertilisers in the interests of purer drinking water was taken a stage further yesterday with the naming of 12 special zones in which

nitrate use by farmers is to be strictly controlled. The 12 areas which togethe total 15,500 hectares (38,000 acres) are dotted around the country from Lincolnshire to Wiltshire.

Within the areas farmers may find themselves asked to take measures ranging from a total ban on nitrate use and the substitution of grassland for arable crops to much less rigorous curbs on nitrate or the use of farmyard manure. Compensation will be paid to farmers in the schemes, which are to be voluntary at first.

In addition, Mr John Gum-mer, Britain's new Minister of Agriculture, announced a further nine areas, totalling 23,000 hectares, where farmers will be subjected to an intensive campaign to encourage reduced fertiliser use, although without compensation for any resultant loss in production.

Yeeterday an agriculture ministry official said the areas had been chosen to test the widest possible range of geological and water source conditions. Each was centred on a major borehole which in turn was in an area already producing water near or above the nitrate limit of 50 parts per

million set hy the EC.
Individual farmers likely to be covered by the special zones will be contacted over the next few weeks but detailed maps have been deposited with regional ministry offices, the The precise boundaries of

PROSPECTIVE CONTROL AREAS For Designation as Nitrate Sensitive Areas

Branston Booths, Lincoinshire Sleaford (Clayhill/Drove Lane), Lincoin: Old Chalford, Oxford Egford, Somerset Millington Springs, Humberside Kitham, Humberside Ogbourne St. George, Witishire Boughton, Nottinghamshire Tom HB, Staffordshire Wildmoor, Hereford and Worcester Wellings, Staffordshire/Shropshire Milton, Derbyshire For Intensive Advisory Campaign only

The Swells, Gloucestersme
Bircham & Fring, Norfolk
Hillington & Gayton & Congham, Norfolk
Sedgeford, Norfolk
Fowlmere, Cambridgeshire
Far Baulker, Nottinghamshire
Dotton & Collaton, Devon Cringle Brook, Lincolnshire/L Bourne Brook, Warwickshire the nitrate sensitive areas and Farmers' Union said it would

the "campaign" areas, as well as the exact conditions which farmers will be expected to fulfil and the compensation they might be paid, will be deter-mined "after extensive consultations this autumn with farm-ing, water and other interests," Mr Gummer said

The ministry hopes to have the NSAs, described as pilot schemes, in operation by this time next year. Mr Gummer stressed that the schemas would be voluntary. However, should this not prove effective, the 1989 Water Act, which is preparing the way for the privatisation of Britain's water companies in November, provided for compulsory powers. Yesterday the National

co-operate with the Govern-ment and with the water authorities to persuade farmers to enter the schemes. However that co-operation would depend on the degree of agricultural restrictions involved and the level of compensation.

580 5,240 390 2,000 1,000 500 5,100 7,400

Clearly farmers are worried about the impact of nitrate restriction not only on their farming operations but also on

the value of their land.

The agriculture ministry has indicated that farmers would be expected to sign np for a minimum of five years and possibly much longer in areas where it has been estimated that it could take a decade or two to affect nitrate levels in

Mexico places coffee 'quota'

By Richard Johns in Mexico City

THE MEXICAN Institute of Coffee (Imecafe) has succeeded in selling or contracting bidder. in selling or contracting "almost" 2m bags (60 kg each) of coffee in the three-week period following the abandonment of the International Coffee Organisation's export quota system, Mr Jesus Salazar Toledano, its director-general, said In an interview here late last

lent to its annual 22m bags quota (4.4 per cent of the global total) under the agreement which finally collapsed on July

The volume is nearly equiva-

At end of June stocks totalled 4.2m bags. Domestic consumption amounts to about 1.9m bags. Mr Salazar did not say what

price had been secured for the coffee but asserted that overall higher volume sales would more than offset lower prices.

Mexico's coffee crop is almost all of the arabica variety favoured in the US, the largest consumer in the world. A key reason for the failure to renew or revise the International Coffee Organisation's quota system lay in the adamant determination of the US

that the proportion of total quotas accounted for by ara-bica should be raised to 48 per In the 1988-89 (October-September) season Mexico'e export earnings from coffee amounted to \$620m compared with \$540m in 1987-88 and \$573m in 1986-87,

Coffee is Mexico's single most valuable agricultural export with the US accounting for about 60 per cent of pur-

Close Previous High/Low

845

Mr Salazar admitted that lower prices could cause the Government problems by putting a squeeze on smaller under-capitalised producers.

According to recently published statistics, 87 per cent of growers produce only 38 per cent of the crop while another 2 per cent account for a further 38 per cent.

• Mr Julio Londono, the Col-

ombian Foreign Minister, said State Department officials bad expressed willingness to study the future of the coffee agreement when he met them last week in Washington, where he ding a meeting of the Organisation of American States, reports Reuter from

On July 20, Colombia's President Virgilio Barco blamed what he termed US intransigence for the end of the pact's quota system.

m. 89.7% purity (5 per tonn

Sharp fall in LME aluminium stocks

By Kenneth Gooding, Mining Correspondent

TRADERS caught unawares by a sharp fall in the London Metal Exchange's aluminium stocks yesterday suggested the metal had been taken by Marc Rich, the large, Switzerland-based commodities house.

The market was also sur-prised by a rise in LME copper etocks. In the previous ten weeks they had fallen steadily and reduced by half. Some linked Rich's action with a strike at Jamalco's alumine refinery in Jamaica, jointly owned by Alcoa and

the local government.
The Jamaican Government supplies Rich with alumina the raw material for primary aluminium. Alcoa already has announced cuts in aluminium production because of a short-age of alumina in the past

LME aluminium stocks had been rising steadily for some weeks and the fall, of 16,500 tonnes to 131,725 tonnes, at one point helped lift the price to \$1,790 a tonne for metal for delivery in three months. The price closed at \$1,781, np

\$34.50 from Friday's close.

The LME's price for threemonth, Grade A copper closed
£14 down at £1,529.50 a tonne after news that stocks had risen by 5,275 tonnes to 73,150 Mr Robin Bhar, analyst for

Rndolph Wolff, the Londonbased commodities hroker, said that, in the circumstances, copper performed

Demand for the metal remained high - witness last week's comments from Asarco, the second largest copper pro-ducer in the US, which pre-dicted demand would outpace supply for the rest of 1989. Meanwhile, total stocks, including those in producers' hands and on the New York Commodity Exchange, were at mittedly low levels critically low levels.

LME £/\$ rates

FROM TODAY the London Metal Exchange table carried below includes some of the sterling-dollar rates used by the exchange to value spot and forward contracts for the International Commodities Clearing House system. These exchange rates are also frequently used by traders when charging cli-

LINE WARRINGUSE STOCKS (Change during week ended last Friday) tonnes		
Aluminium	-16,500to 131,725	
Copper	+8,275 to 73,150	
Leed	-25 to 32,550	
Nickel	-786 to 2,484	
Zinc	-3,650 to 27,675	
Tan	+395 to 2,100	

High/Low

Philippines' glister rediscovered

Richard Gourlay reports on the groups battling to mine gold

N THE thickly forested slopes of the southern Philippine island of Mindanao two groups of gold miners are rediscovering some old time glamour in an indus try often robbed of its glister by large scale commercial mining techniques.
The first group — tens of

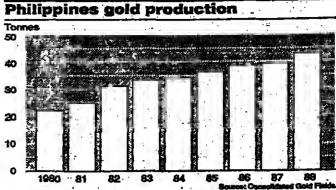
thousands of unregulated small scale miners — gained international notoriety and sympathy in June when mud-slides caused a catastrophic collapse in a honeycomb of hopelessly inadequate mineshafts. Probably hundreds of miners were buried alive, but the survivors play down the tragedy and are determined to continue their perilous lifestyle.
The second group is Bana-

haw Mining Corp. a subsidiary of Australia's Muswellbrook Energy and Minerals, in which Australian husinessman Mr Kerry Packer has an interest. Banahaw has started operating the first new gold mine to open in the Philippines in a decade but has had to transform the plant, which can process 500 tonnes of ore a day, into something resembling a military camp after a January attack by communist-led guerrillas left five employees dead. In their different ways they

have been attracted by the country's still largely untapped gold potential. Experts believe large deposits are held in epithermal deposits along the so-called "Rim of Fire" running in a crescent from Japan, we through the Philippines and down through Papua New Guinea to New Zealand.

A number of Australian mining companies are closely watching Banahaw's pioneering efforts in Mindanao and the support the Philippine Gov-ernment is providing before deciding whether to risk tangling with insurgents and small scale miners themselves, mining executives in Manila

The Philippines is already firmly established as the world's sixth largest gold pro-ducar. It lies far behind Brazil's 100.2 tonnes in 1988 but is the clear second tier leader with 42.7 tonnes, ahead of Colombia with 33.4 tonnes, according to Consolidated Gold Fields' analyst Mr George Milling-Stanley. While no spectacular growth is forecast, the steady growth of



hetween 23 tonnes seen in the past three years is likely to continue this year, according to stockbrokers Shearson Leh-

man Hutton. Benguet Mining, the New York and Manila quoted com-pany and the Philippines' larg-est producer, owns a string of properties in northern Luzon and in May 1988 reactivated a pre-second world war operation at Paracale in the Visayas.

The 300-tonnes-a-day mine has, however, suffered from erratic yields this year accord-ing to Benguet executives and may not reach the 600kg annual scheduled production. Benguet is planning to tap desper ore bodies at the Dizon mine which it operates under contract

The other main primary producer, Apex Mining, has faced financial difficulties and isoperationally virtually paralysed by the many thousands of small miners at Diwalwal in Mindanao, the scene of June's

The secondary miners -producing gold as a by-product of copper production - Atlas Consolidated and Philex Mining are both expected to expand production as they weather respectively financial and operational difficulties.

Together these formal sector producers accounted for about 55 per cent of the country's ontput in 1988, according to Shearson Lehman Hutton, a proportion which is likely to

grow slightly this year.

The illicit nature of unofficial production, much of which is never sold to the central bank, makes an accurate assessment of this sector's contribution impossible. The Philippines' hundred thousand or

so small-scale miners are clearly not as important as in Brazil where the garimpeiros are thought to account for about 78 per cent of produc-tion, according to Consolidated Gold Fields.

But especially in developing areas they are a significant and increasing threat to the larger more efficient and always safer commercial miners.

he Philippine Congress has been attracted by the popular eppeal of supporting the small-scale miners but their widespread use of mercury (in leaching gold from the ore) is harmful to their health and that of surrounding villages, the conditions in which they work are pre-Victorian and generally it is the financiers, who take no physi-cal risks, who reap the largest

In spite of the Philippines' potential, analysts are not forecaeting Brazilian-scale increases in production, where the formal and informal sectors both added about 8 per cent to their output, last

In the first place the richest mineralisation appears to be in eastern Mindanao where geo-graphy makes companies like Banahaw particularly vulner-able to the New People's Army guerrillas, bandits masquerading as guerrillas and renegade

After the NPA killed five employees at Banahaw in Jan-nary in the attack that par-tially burned the tailings plant, the refinery has been turned into something of a military camp, says Mr Robert Hesshion. Banahaw'a chairman. It sports 260 armed guarda sup-

plied by the Philippine army, miles of perimeter fence and swathes of jumgle cut to clear lines of fire.

"We have chopper surveillance to identify NPA concentrations," he says. "Maybe 5,000 of them could take us on." The Department of National Defense support suggests that the army, at least, is aware that other less intrepid mining companies. "like Cultus Exploration and Western tins Exploration and Western Mining of Melbourne — which are already exploring but not producing are carefully watch-ing Banahaw's experience. And they appear to recognise how large company payrolls could begin to stabilise the economy of a poor region large parts of which have fallen under guerrilla influence.

The Government in Manila has been less supportive and could be frightening off the necessary foreign investment

by not taking a clearer line with small miners.

"The small miners are becoming a serious problem," says Mr Hesshion. "Once they broke into our tunnel, held our miners at gunpoint and stole the ore." Some of the problems arise from contending claims on properties which the courts have rarely managed to settle. But the bottom line is that policing inaccessible places is

elmost impossible.
Driven by huge profits the small miners ignore government closure orders, the financiers behind them pay off offi-cials sent to enforce the law or, in Diwalwal for instance, so diers sent there go AWOL and join the tunnellers. Worst of all for large compa-

nies, the Philippine Senate is considering a small miners bill which could reduce the rights of official claim holders and encourage unregulated mining, placing more commercial operators in the position in which Apex finds itself in Diwalwal where it is reduced to doing little more than process the

small miners' tailings.

Mindanao, where some experts say the Philippines' greatest potential lies, is still wide open, under explored and under-exploited. But the pioneers, large and small, are unlikely to tap fully that potential unless the Government in Manila can find some equitable and effective way to regulate

IPE sets date for launch of heavy fuel oil contract

COPPER 25,000 lbs: cents/lbs

111.70 112.90 111.50 108.40

Close Previous High/Low

105.00

LONDON'S International The index is calculated by Petroleum Exchange taking the mean of cash mar-Petroleum Exchange announced yesterday that it will begin trading a heavy fuel oil contract on Tuesday September 5, with October 1989 as the first delivery month, writes

Richard Mooney.

The contract will be settled in cash against an index value calculated by the exchange and and additional trading opportu-published at noon each day. and additional trading opportu-nities, the IPE said. "It also

US MARKETS

IN THE METALS, gold prices rebounded elightly as scattered

short-covering and a weaker US dollar

lifted the market, reports Drexel Burnham Lambert, Silver trading was

WORLD COMMODITIES PRICES

(Prices supplied by Amaigamated Metal Trading)

AM Official Kerb close Open Interest

Ring turnover 15,175 tours

ket assessments from the previous day for barges and car-goes for high sulphur fuel oil in North West Europe," the

exchange said.

The contract had been designed to provide oil trade users with effective hedging

provides the shipping industry with an instrument to help reduce price risk in their bun-ker supply requirements," it added

"We have responded to the needs of the industry by providing a contract which covers the heavy end of the barrel," said Mr Peter Wildblood, the exchange's chief executive. He said cash settlement, which

0 112.50

105.60

eliminated the possibility of a delivery. squeeze, had been accepted and welcomed by the oil trade, "as the success of the (IPE) Brant (crude futures) contract shows.

adoption for the new contract had been at the request of the oil industry participants in the fuel oil forward

LONDON MARKETS COCOA L'honne

THE INEXORABLE stide in coffee futures prices continued on the London futures market yesterday, pushing nearby values to tresh 8-year lows. In the tace of continued fierce produces competition for merket chare in the wake of the collapse of the International Coffee Organisation's

export quota system, the September position on the London futures market tell to £752 e tonne et one stage before ending the day £6 down on balance at £756 a tonne. "There is just too much uncold coffee weighing on the market, commented one dealer. Cocca prices elec continued to drift lower in a very thin market. The September quotation closed at £845 a tonne, up from £842 earlier but down £4 from Friday's close. On the London Metal Exchange nickel prices reached 7-week highe following the annoucement of a fall in exchange warhouse stocks last week.

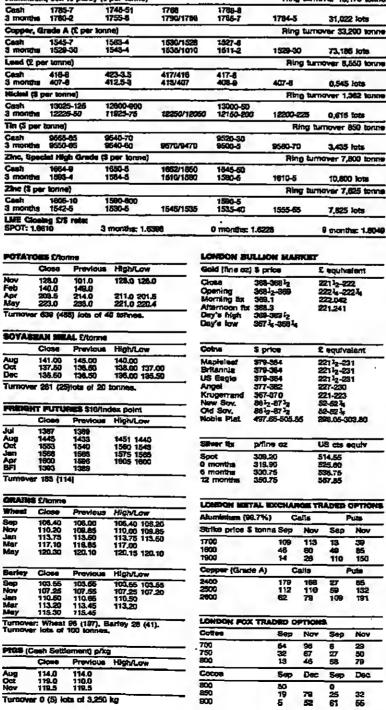
SPUT MARKETS		
Crude oil (per barrel FOS)		+ ar -
Dubel Grent Blend W.T.I. [1 pm esQ	\$14.75-4.852 \$17.30-7.45W \$18.35-8.402	+0.30
Off products (NWE prompt delivery per to	onne CIF)	+ or -
Premium Gasolina Gas Oil Heavy Fuel Oil Naphiha	5190-191 \$148-149 \$84-56 \$154-158	+3 -0.5
Petroleum Argus Estimates		
Other		+ ar -
Gold (per tray oz)	\$368.25 514c	-1.00
Platinum (per troy oz) Paliadium (per troy oz)	\$491.75 \$142.5	-1.25 -4.2
Aluminium (Iree market) Copper (US Producer)	\$1785 1175-118	+20
Lead (US Producor) Nickel (Iree market)	39,5c 600c	+ 1.0 + 10
Tin (Kuele Lumpur market) Tin (New York)	437.0	-0.55 -4.5
Zinc IUS Prime Western	803gc	
Cattle (live weight)† Shoop (deed weight)†	110 87p 148.84p	- 1.04 -19.4
Pigs (live weight)†	84.77p	+0.29
London daily auger [rew] London daily auger (white)	\$363.41 \$509.51	+5.4 +1.5
Tate and Lylo export price		+3.0
Barley [English feed] Maize (US No. 3 yellow)	£114.75w £131	+0.25
Wheat (US Dark Northern)	£122.50t	+0.75
Rugher (spot)♥ Rubber (Sep)♥	58,50p 61,00p	
Rubber (Cct) P Rubber (KL RSS No 1 Aug)	61.50p	-0.5
Coconut oil (Philippines)§ Paim Oil (Malaysian)§	\$502.5t \$315	-2.5
Copra (Philippines)§ Soyabeans (US) Cotton "A" Index	\$330 £178z 84.95c	-2
Wooltops (64s Super)	585p	-5

mts/lb. r-ringgit/kg. y-Oct/Dec. w-Aug. z-Sep u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. †Meai Commission average lateteck prices. 1 change from a week ago. Thondon physical market. ŞCIF Rotterdam. 🔷 Bullion merkel close, m-Malaysian cents/kg.

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785	794	797 784
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(\$ per to:	iue)	
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323.80	324.60	327.60 318.40
		312.40 306.00
		305,40 298,40 300,00 295,00
		288.00 296.00
Close		High/Low
424.00	424,50	427.00 420.00
384.00	384.50	381.50
		372.00 385.00 368.00
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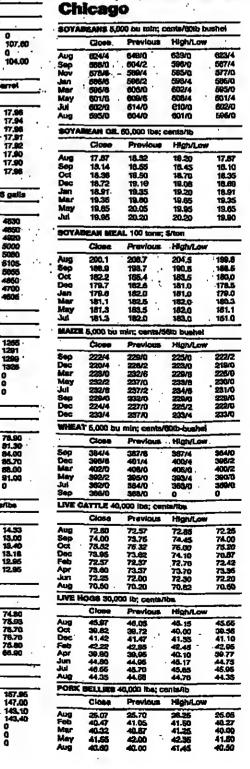
law	Close	ene) Previous	High/Low
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lay	296.60	298.00	300.00 295.00
lug	288.00	291.00	288.00 266.00
VI III	Close	Previous	High/Low
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	304.00		
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TEA. There were 11,096 packages on offer including 1,000 for the offshore auction, reports the Tea Brokers Association. Improved and more general demand the brightest East Africans showed little change in rates but medium descriptions were fully firm and sometimes dearer. Malawi teas attracted less competition and were irregularly easier. Caylons mer good support but prices proved irregular and often lewer following quality. Teas in the offshore auction were readily absorbed at manginally lower rates. Cuctations: quality 199p (same), medium 125p [same], low medium 1000 (100p).



73,185 lots over 5,550 torune 0,545 lots over 1,362 tonne 0,615 lots nover 850 torune 3,435 lots over 7,600 tonne 10,800 lots over 7,625 tonne 7,825 lots 9 months: 1,5049	mixed with near the property following coffee fut active see points had lower effect trading were all it commerce Spillover wheat low light trade activity. I liquidation ahead of Live hogs uneventustrong ga
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with fund activity lifting prices the close. Copper gained from CRUDE Oil. (Light) 42,000 US gatta \$/barrel ying, Platinum was also higher gold's firm tone. In the softs, Latest Previous High/Low 18.41 18.29 16.23 18.22 18.11 18.10 18.10 17.93 17.89 17.00 17.91 17.87 17.85 17.82 17.82 18.52 18.39 18.30 18.27 38.17 18.10 18.10 17.95 17.96 17.94 17.96 17.91 17.92 17.90 17.90 g gold s firm tone. In the sons, interes had the day's most ession as prices fell over 300 asis September. Sugar closed ter sideways action. Cocoa as slow. The grains markets lower led by heavy cial selling in the soy comple selling pushed the corn and wer. Cotton prices were up on HEATING OIL 42,000 US galls, cents/US galls Latest · Previous High/Lour e and commission house 4875-4050 5018 5065 5186 5186 6140 4880 4786 4605 he livestocks featured Aug Sep Oct Nev Deo Jen Feb Mar Apr May 4823 4900 4970 5040 5105 5175 5195 5100 4930 4785 4606 4850 4850 4920 5000 5000 6105 5055 4860 4700 4606 4862 4963 5025 5100 511S 5035 4650 4666 4585 n in the August pork bellies first delivery day on Tuesday. s and cattle futures were ul. The energy complex posted rts that offshore platforms in if Mexico were eleuting down an expected hurricane, railled COCOA 10 tonner;\$/tonnes Close Previous High/L York troy az.; \$/troy az. Previous High/Low 367.0 368.0 371.4 375.4 379.3 371.0 369.5 375.0 578.9 353.3 0 COFFEE "C" 37,500lbs; cents/lbs Previous High/Low Close 383.3 \$87.3 391.3 395.3 75.99 81.32 84.00 85.94 86.36 90.00 93.35 00 tray oz, \$/tray oz. Previous High/Lov 494.8 497.5 501.0 504.5 508.0 SUGAR WORLD "11" 112,000 lbs; cents/lbs Close Previous High/Lour 100 troy oz cents/troy oz Previous High/Low 013.7 518.3 0 530.3 533.4 641.3 546.8 666.5 564.3 575.2 COTTON 50,000; cents/it 74.76 75.68 76.50 76.48 76.68 67.00 75.70 76.70 77.25 77.30 77.30 67.10 uly 25 July 27 mnth ago yr ago 158.05 148.10 143.25 142.80 141.80 141.05 141.05 ES (Base: Dec. 31 1974 - 100)



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LONDON STOCK EXCHANGE

Equity sector changes into reverse

United Philipping Street Company PROFIT-TAKERS finally gained the upper hand in late trading on the London stock the control of the property of the control of the c market yesterday and the FT-SE 2,300 mark, regained only on Friday, was abandoned in the final moments of an erratic trading session. UK stocks were unsettled when Wall Street opened uncertainly, despite cuts in prime rates by leading US money cen-tre banks, and London's blue chips were additionally undermined by determined selling of the FT-SE futures contract.

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However, equity market turnover was not heavy, nor was the profit-taking unexpected in view of the market's sudden upswing on Friday

Sec 11 Aug 21 afternoon. The session was featured by a rash of hints of impending rights issues and

Jul 31

First Dealings: Jul 17

The new equity Account opened with the FT-SE Index 26 points off in sluggish trade. The market soon turned higher, however, sourred on by predictions that Wall Street

this week. The early gain of nearly 14 points took the Footsie to just under 2,320, regarded as a significant resistance point.

The market then faltered and gave back more than half its rise before trying to move higher again. The second advance soon lost impetus as Wall Street's opening was over-shadowed by reports of the execution of a US marine hosage in the Middle Rast.

Underlying confidence remained relatively high, how-ever, and traders were quick to The coup de grace was delivered when the premium on the point out that yesterday was "a very slow day indeed." War-FT-SE futures contract was cut from 30 points to 25 points, burg Securities believes that reportedly when a leading Lon-don securities house became a the UK is "past the worst" on

chip stocks.

was less than Im.

Standard Chartered, upset

it week after a negative note

by Nomura Research made

progress to close 10 ahead at

540p, after touching 546p early in the session. Bank of Ireland

edged np 2p to 248p after announcing the sale of \$40m worth of Mexican sovereign

debt, thereby reducing its

exposure to Mexico to \$4m; the

bank said it has no other exposure to Latin America.

Among insurances, Sun Alli-

ance enjoyed a turnover of 23m and rose 7 to 310p in the

wake of some determined sup-

port from one quarter. The shares were rated "our pre-ferred sector investment" by

BZW and a buy by County Nat-West WoodMac.

Guinness was the only stock to resist late selling pressure, closing unchanged at 537p on

turnover of 2.3m shares. At one stage Guinness stood at 546p,

boosted by two npgradings. The first was from Hoare Gov-

ett, which has raised its fore-

cast for current year profits by £30m to £655m and for next

year hy no less than £45m to

£790m. The strong performance

Among leading brewera

determined seller. The futures the trade figures front and selling took toll of the underlyhigher again.

ing FT-SE Index, and this in turn brought selling of blue There was disappointment that yesterday's cuts in US prime rates, led by Citicorp, had not found a more positive At its final reading, the FT-SE index was 9 points down on the day at 2,297.0. With events in the Middle East now seen as a possible near term response on Wall Street. Some analysts at top London securities houses suggested that Wall Street could gain a further 100 threat to US markets, traders sounded uncertain about points in the near term as the immediate prospects for Lonapparent easing in Federal Reserve credit policies brought moves to lower lending rates at the US banks.

Despite yesterday's singgish-ness, the market remained poised for another major bid development, perhaps on the Plessey/GEC front.

Gronp, and a possible cash

call, left the stock 4 off at 15p.

The day's two new issues made successful dehnts. Car-

toon animation company

Sleepy Kids, placed at 20p,

opened smartly at 33p, rose to

a high of 38p and closed at 36p. Dealers reported "massive"

demand for the shares from

small investors, while institu-tions remained on the sidelines

unable to pick up large enough tranches of stock. The second

newcomer, video rental and

sales company Video Magic, ended at 86p, offering investors an excellent 20p premium.

The property sector put in a resilient performance with most stocks closing slightly

better against the market.

Great Portland ended a touch firmer at 333p following a

1-for-5 scrip issue, Greycoat

added 6 at 540p, after 544p, on

vague bid speculation, and Hammerson "A" rose 4 to 798p.

The proposed share restruct-uring at LWT Holdings, up 25

at 224p, boosted TV contractors

Lex Service fell 15 to 365p

Beazer closed a penny lower

after posting first half profits only marginally ahead.

at 180p, in spite of strong sug-gestions in the market that a

line of 31/4m shares was being

placed among institutions.

Turnover was 6.9m shares by

the close, equivalent to just under 3%m shares using the

system's double-counting

The performance of the Gold-

berg share price, np only 3 to 178p and still well below the

offer price, suggested that the

market expects the Blacks bid

to fail. As for the possibility of

a third party making a rival offer, dealers were not pre-

across the board.

method.

FINANCIAL TIMES STOCK INDICES July 28 87.16 87.07 105.4 50.53 [28/11/47] (3/1/7S) Fixed Interest 1924.8 1447.8 1926.2 49.4 (3/1) [16/7/87) (26/8/40) Gold Mines (17/2) (15/2/83) (26/10/71) (7/7)1782.8 2443.4 2306.0 (16/7/87) (23/7/84) Ord. Oiv. Yield Earning Yld %(fulf) P/E Ratio(Net)(☆) Basis 100 Gov/ Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mitres 12/9/55, Basis 1000 FT-SE 100 31/12/83 ☆ Nil 11 92 34,112 28,446 21,252 24,759 1487.92 1330.28 1093.74 1457.08 SEAO Bargains(5pm) Equity Turnover(2m)† Equity Bargains† Shares Traded (ml)† 30.923 24,482 S.E. ACTIVITY Gill Edged Bargains 89.6 Equity Bargains 242.7 106.3 193.7 Day's High 1935.2 Day's Low 1912.1 Ordinary Share Index, Haurly changes Equity Value 3007.5 2688.8 equity Value 300° 5 2980. 5 - Day average Gilt Edged Sargains 85 9 83.8 Equity Bargains 196 0 186. Equity Value 2689 9 2635. SE Activity 1974, tExcluding inita-mai ket business. London Roport and latest Share index: Text. 0896 123001. Day's High 2319.9 Day's Low 2297.0 Open 10 a.m. 11 a.m. 12 p.m. 2313.4 2315.9 1 p.m. 2310.8 2 p.m. 2311.5 3 p.m. 2313.1

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm Volume Closing Day's DAY's Price charge

pared to make any predictions but thought the chances low. Blacks Leisure closed 1/2 lower at 8%p, while Charterhall added a % to end at 22%p.

There were mixed fortunes for booksellers, with John Menzies rising 8 to 374p on the back of one reasonably-sized buyer, Pentos holding steady at 114p, but W H Smith "A" dropping 8 to 342p. The market is currently assessing how booksellers will be affected if the Government abolishes the

Net Book Agreement. Miller & Santbouse, the Liverpool based opticians, dropped 33 to 150p as one marketmaker attempted to sell 10,000 shares in the market in

a number of small deals. The Racal twins suffered from another bout of small hut

generally persistent selling

pressure with dealers talking of adverse comment in a US publication. Racal Telecom were particularly unsettled and dipped 23 to 379p albeit on turnover of only 647,000 shares, ahead of today's annual meet-ing schednled for 11.45 am at the Institute of Electrical Engineers in London, Racal Electronic lost 12 to 438p on turn-

Thorn EMI were pulled back, closing 12 off at 828p on turnover of 1.1m, after the company said recent market stories of LBOs and an offer for its music husiness were "unsubstan-

Ferranti hardened to 85 %p on turnover of 3.8m which included a single deal of 2.4m shares, possibly part of the large holding sold by one source around a week ago.

GEC added 3 to 269%p ex dividend as the market braced itselffor a renewed bid for Plessey from the GEC/Siemens alliance; expectations of a possible bid price were mixed with some going for as low as 250p a share, compared with the original 225p a sbare offered by the alliance and the 245p level at which the alliance acquaired a near 15 per cent stake via a market raid. Another raid

"could well be on the cards" Crystalate sbares were bammered, slumping 16 to 89p after the company issued a warning that the profits performance will be "significantly below earlier expectations."

Other market statistics, including FT-Actuaries Share Index and London

Footsie newcomer in demand

Trading in newly-formed SmithKline Beecham took off on the opening day of its first trading Account as a constituent of the FT-SE 100 index. The stock was one of the day's strongest performers as UK institutions flocked to top up

their holdings SKBeecham has been trading for several weeks in a when-is-sued form, but its entry last week into the FT-SE 100 drew the attention of buyers. Yesterday they mopped up the long-expected stream of stock emanating from the US. Index-tracking funds there bad held SmithKline Beckman, one of the components of SKBeecham, which is not joining the

Standard & Poors' 500 index.
Some 5.6m of the "A" shares changed hands as the price touched 566p before subsiding in the market's late weakness and US selling to close at 555p, up 11 on the day.

Demand was also stimulated, said dealers, by the delivery of loan certificates, which holders of shares in Beecham have received as part of the deal to merge with SKBeckman. Institutions were said to be selling the notes and using the pro-

ceeds to top up shareholdings. They avoided the SmithKline Beecham equity units, however, which are also traded in London and related to the old SKBeckman shares. The divi-dend stream is the same, but UK holders of the units will'. lose 15 per cent of their dividend because of US witholding taxes, explained Mr. Jenny Har-rison, analyst, with James

New ICI doubts

- 1 T

the early trend of the market as analysts reconsidered prof-its forecasts in the light of last week's interim figures. Many analysts have been bearish for some time on the outlook for bulk chemicals, a sector subject to notoriously cyclical price changes.:

But Mr Alasdair Nisbet of UBS Phillips & Drew said that ICI's specialist chemical operation - in principle more pricestable — "was not performing as well as expected." He sub-tracted £100m from his forecast for the year to December 1990 leaving it at £1550m. The current year's forecast stays unchanged at £1650m.

Mr David ingles, the highly-rated ICI analyst at James Capel, also trimmed his forecasts, by £30m to £1620m for the current year and by £50m

to £1600m for next year. "This is just fine-tuning the figures," said Mr Ingles; "my fundamen-tal view of the company

ICI fell 14 to 1241p in relatively thin volume of less than

Cadbury active

Cadbury Schweppes performed something of a roller-coaster act, climbing strongly in early trading to a high of 460p before succumbing to afternoon selling to end down 2 at 449p on turnover of 3.2m shares. The initial gains, said traders, were spurred by the late buying of the call options on Friday - turnover in the August 500 contract was particularly high - and the continued presence of speculative buyers hoping for a bid from Swiss group Jacobs Suchard. However, Cadbury eased

back with the market later in the day as investors took the opportunity to realise some of their paper profits. Many brokers are advising clients to steer clear of Cadbury unless harder news of a bid appears; the stock remains overvalued on fundamentals at the current level the sav. Salomon Brothers, the US

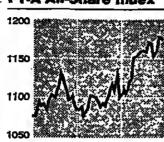
securities house, warned in a recent circular that a hid for Cadbury from Suchard would be unlikely until after the restructuring of the European soft drinks market is completed. "If Cadbury does emerge as one of the winners in this new look market [the group is already number two in continental Europe behind Coca-Colaj, then shareholders would be unwise to contem-plate a bid of less than 700 pence a share," advised Salo-

The banks sector was one of the market's more interesting areas Last week's figures from Lloyds, and the prospect of some good numbers this week from the other clearers, was New ICI doubts followed by good news from Royal Bank of Scotland. The Scottish bank is strengthening its capital base via an issue of two new classes of non-cumulative preference shares, an

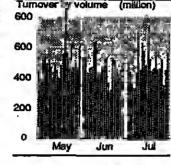
NEW HIGHS ().
BRITISH PUNDS (19) AMERICANS (2)
CANADIANS, (2) BANCE (11) BREWERS
(4) GUIRISH, (2), SA, DC GV. PL., Do, SA, DC
GV. Lin., Marrydown Wine, BULLDHOSS (2)
COURSE (FLAL), NSAL, CHERRICALE (5) Allied
CARLINE, BERNEY, MICH.

Gospies (R.M.). NSM, CHERICALE (5) Alife Colloids, Fossoo; Nickson Int'l. Laporne, Rentoki, STONER (8) Burton, Kinglisher, Do. 8-1 to Le. 2002, Marks & Speccer. Meszkes (1), Smith (M.M.). ELECTRICALE (9) ABS Kent, Boraind Int'l. Electronic Machine, Microlea, Alforo Fossos, Misys, ENGERENNA (11) FOODS (10) Aosics & Hetcheson, Appleby Westward, Arryti, Athley, Kwik Saws, Morrison (W.) 5-i pc Pd. Pl., Nessle SA (Br.), Do. (Rieg), Portins, Sainsbury (J.), Wardle Roberts, HOTELE (3) Lachroise, Oueven Most, Do. 7pc Cv., MDNSTRALE (25) ANA, Abbeyover, Assoc. Brit. Ports, Avis Europe, BBA, Do. 8, Tpc Cv. Pl., STR Nyles, Barry Wehmiller, Skubb Toys, Cisyvilha, Cookson, Dover Grp., Eastern Prod., Electrolux, Excelibur, Floons, Flooss, Glazg, Macterierre, McLood Pussell.

FT-A All-Share Index

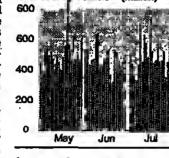


Equity Shares Traded Turnover y volume (million)



increase in anthorised share capital and an issue of new ordinary shares by way of capi-talising part of bank's reserves. "This move by the Royal

Bank finally removes any lin-gering worries that the bank msy have to come to the equity market for finance to strengthen its capital base - in abort, there is now no chance of a rights issue," said Mr Chris Wheeler at Shearson Lehman Hutton. Royal Bank shares jumped 17 to 427p on



the strong gains of last Friday with rises said to have been exaggerated by a stock short-age. Barclays, reporting on Wednesday - County NatWest forecasts pre-tax profits of £740m - settled 6 higher at 515p on turnover of 3.1m. Lloyds, after a positive meeting with banks analysts, raced up 11% more to 362p ex-dividend. NatWest, reporting today, were only marginally ahead at 327p on turnover of 4.8m - well ahead of usual levels. But Midland ran into profit-taking and closed 4 cheaper at 350p, although turnover here

YPSM, PREMINANCE (2) Gen. Accident, Sun Altence, LEISURE (7) Anglis TV, Central TV, European Lele, LWT, Scott TV, Thence TV, Yorkshire TV, Rebyerparens (3) Budder, Euromosey Pos., Pearson, PAPERS (3) BBS Design, Lowe H-S & B, U.K. Paper, PROPERTY (7) Britamis, Chesterfield, Evens of Leeds, F.S.M. Props., Import Soc. Mounte, New Eng. Props., TRISTS (55) GLLS (4) Calm Engergy, Alid. & Scot. Res., Monument OI, Pict. Per, GYERSEAS TRADERS (3) Inchespe, Toper Korn., MINES (3) THRO MARKET (2), NEW LOWIS (1).

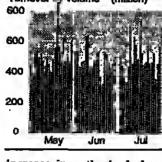
(3) THRO BARKET (2).

NEW LOWS ().

AMERICARS (2) CANADIANCS (1) BUILDINGS
(1) Maunders (J.) STORES (1) Miller &

Ontheo., ELECTRICALS (6) Cray Electronic,
Crystalaia, Nat. Tele., Northamber, Orchid
Tech., BEUSSTRILALS (7) Edizione, Creighto
Laba., Notdor's Tech., Minty, Oakwood,
Relyon, SI Girp, PAPRES (2) ATA Select,
Green (J.), PROPERTY (3) Citygrows 7 pc
(V. Pr., Dealan, TEXTRLES (1) Lowe (R. H.),
TRUSTS (1) Derby Tel., MinkES (3) THRO

MARKET (1).



from whisky exports, in terms of value if not volume, was behind the regrading, said Hoare. The second came from securities house BZW which has moved Guinness from a hold to a buy. The change in recommendation, said Mr Colin Davies of BZW, was "because of long-term potential in Scotch whisky and the strong

cash flows and limited capital The other banks extended expenditure in the company. Earnings growth this year and next should be sustainable." Highland Distilleries rose 3 to 232p in sympathy. There was good support for Instee was good support for Ibstock, 188p, Caradon, 345p, Meyer, 402p, and Wolseley, 290p, after a Hoare Govett note highlighting the possibility of takeover action at the "light

end" of the building arena.
Second-liners stole the limelight as leading stores slumbered. The bid for Scottish fashion retailer A Goldberg from Blacks Leisure received top hilling. Although Blacks has won the agreement of Charterhall, 29.9 per cent shareholder in Goldberg, dealers believe the lack of cash in the bid - Blacks is offering 22 new shares of its own for each Goldberg share, valuing them at 192% p each — could prove the stumbling block. "Quite simply Goldberg shareholders are unlikely to want Blacks' shares," said one trader. Some cash will have to be put on the table for the bid to succeed, he

Davies and Metcalfe rose quickly on a press tip and con-tract announcement. The ordi-nary and "A" shares both added 17 at 240p and 230p

Thoughts of troubles at SI

Making the FT work even harder for you

A GUIDE TO FINANCIAL TIMES STATISTICS

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Futures and options • Currencies and money . British economic statistics • **Financial Times Statistics** Service • Appendix: how the statistics are arrived at.

Published June 1989

A Guide to 3 FINANCIAL TIMES STATISTICS

APPOINTMENTS

NEW HIGHS AND LOWS FOR 1989

Chairman of **Pickwick**

Mr Ivor Schlosberg, chief executive of PICKWICK GROUP, has been appointed chairman and chief executive following the retirement of Mr Monty Lewis. Mr Jim Hayward has been appointed non-executive deputy chairman. He was a non-executive director. Mr Anthony de Tufo, a senior executive with Pearson, which has a 21.2% stake in Pickwick, has been appointed a non-executive director. Mr Eric Clark, chairman

and managing director of BICC Cables, has been elected president of the BRITISH CABLE MAKERS CONFEDERATION.

Mr Michael Haughton bas been appointed managing director of KIMPTON BROTHERS, a subsidiary of Croda international. He was trading director.

Mr David John Cox has been appointed general manager, insurance services, at THE CO-OPERATIVE HANK, Manchester. He was chief executive of Time Assurance.

A safety and environmental affairs department has been created at TEXACO, London, and Mr Brian Goodland becomes its director from August 1. He was director Government relations.



Mr Geoffrey R. Dale (left) has been appointed group personnel director of CADBURY SCHWEPPES. He was group compensation and benefits director. The company is setting up a European confectionery region because of increasing development, including the acquisition of Chocolat Poulain, Lion Confectionery, Bassett Foods and Chocolates Hueso. Mr David Wellings (centre) has been appointed managing director. European confectionery. He was managing director of Cadbury UK, of which he becomes chairman. Mr David Brooks, (right) operations director, has been promoted to managing director of Cadbury UK; Mr Geoff Loosemore becomes manufacturing director and Mr Chris Kent is made logistics director.

■ MEADWAY GROUP, Oxted, has appointed Mr K.S. Willcox as land and planning director. He was with the Berkeley Homes Group.

Mr David Ewart-White, of Guernsey, a founder director of INSURANCE AND SECURITIES INTERNATIONAL has stepped down as chief executive but remains
non-executive chairman. This follows his appointment as vice president and chief sident executive of C.M.

Transnational Luxembourg. international arm of Connecticut Mutual. His executive management responsibilities at ISI have been taken over by group directors Mr Ian Leetham and Mr Charles Colvington. Mr Leetham will continue to head the group's Banner-UK operations at Walton-on-Thames, and Mr Colvington that of the Athol Group, Isle of Man.

THE DAIRY TRADE FEDERATION has appointed Mr Jim Begg as director-manufacturing milk.

■ Mr Nell Patterson has been appointed operations director of POLYCELL PRODUCTS. He was general manager at Holt Lloyd.

Mr Ian Franks has been appointed marketing director of THE RAWLPLUG COMPANY. He joins from Black & Decker.

■ SUN LIFE UNIT SERVICES has appointed Mr Stephen Bridges as a director and Mr John Bennett as an associate director.

■ ROCKWELL INTERNATIONAL has appointed Mr Randall Thomas as managing director of Rockwell Graphic Systems. He was divisional managing

director, Exide Europe. ■ IVORY & SIME has appointed Mr Andy Steel as divisional director of Ivory & Sime Development Capital. He was a manager in the development capital division.

■ ZURICH INSURANCE has appointed Mr David Sandoe as an assistant general manager for the UK and Treland.

■ SPONG HOLDINGS has appointed Mr Hedley Railton as finance director from August 21. He was managing director of Chloride standby power division.

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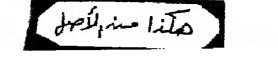
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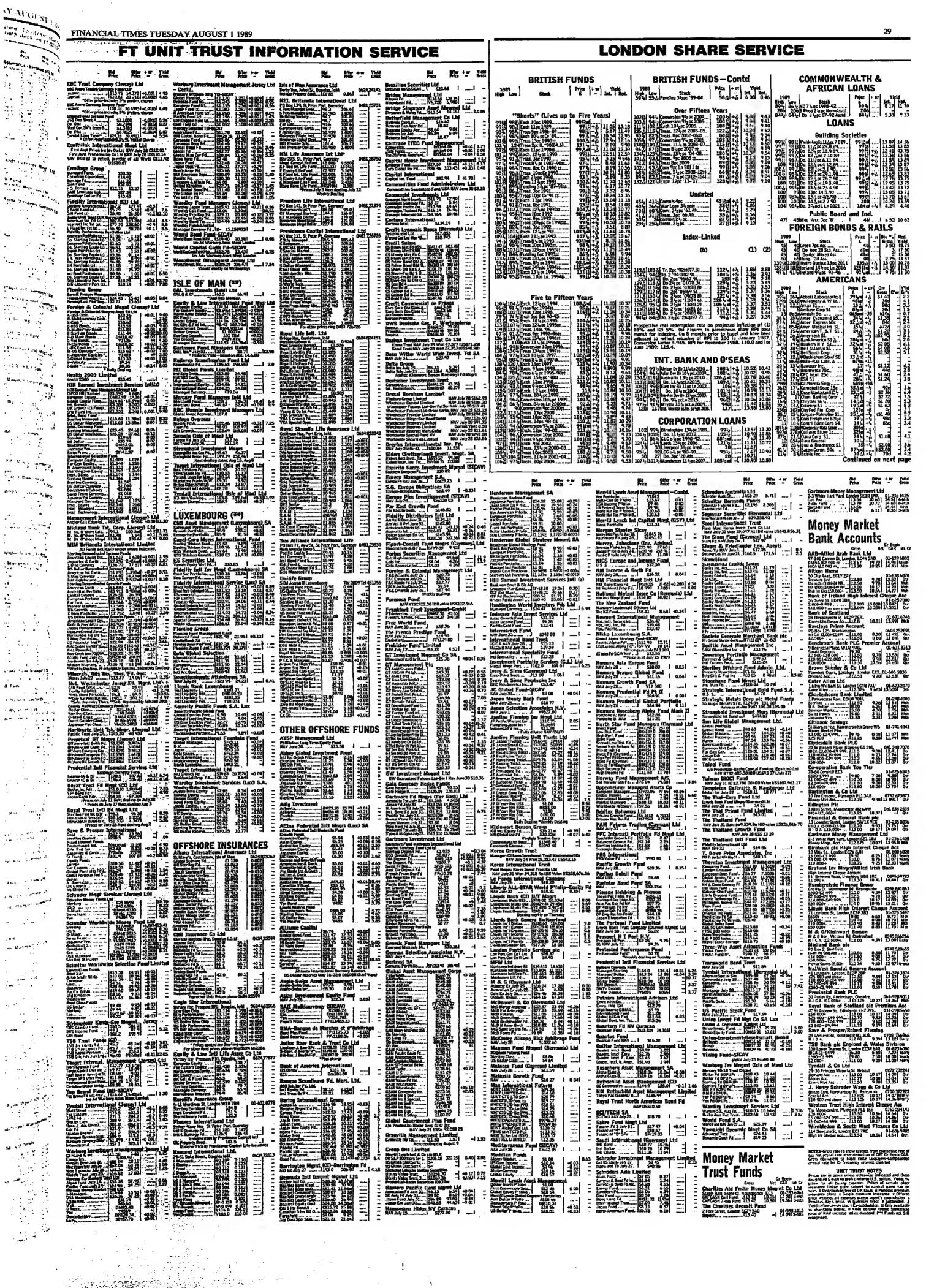
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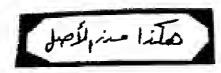
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Lower rates weaken dollar

SENTIMENT SURROUNDING the dollar remained weak yes-terday on speculation that US interest rates will continua to move down as the US economy slows and a recession threat-ens. It finished above the day's lows howaver, on concern ahout rising tension in the Middle East.

Middle East.
The news report that US hostage, Lieutenant-Colonel William Higgins, had been hanged by a pro-Iranian group led to late covering of dollar positions. Earlier in the day the US currency fell through technical support against the yen at Y137.70 and tested another support level of Y136.40.

Fear of increased violence in the Middle East then encour-

the Middle East then encour-aged huying of the dollar, since the US currency is always regarded as a safe haven at a time of rising international

The dollar pushed higher to close at Y136.95 in London, bot still well below Friday finishing level of Y139.55. It also weakened on the day to DM1.8655 from DM1.8870; to SF1.6065 from SF1.6240; and to FFr6.3150 from FFr6.3900.

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Belgiao Franc	7.75	50.336	43.4903	Belgium	39.00	· 21155 39.35	2.1035 - 2.10 39.00 - 39.1 7.26 - 7.26 1.8650 - 1.86 156.15 - 156	0 250	1.00cpm	1.60	3.50-1.0	Com
Danish Krone Deutsche Mark	91 ₂ 5.00	9.3492	5 8.07453 4 2.07675	Denmark	7.244	39.35 7.29 1.8755	7.26-7.26	2 0.10-0	40ocedls	-0.41	0.75-1.1 0.77-0.7	5dk
Neth Gullder I	6.00 1	2,7120	2.34253	W. Germany Portugal	155.80	156.45	156.15 - 156	25 251	0.29ptpm 50-80cdis	1.93 -5.40 -5.64	255-28	35dis
French Franc	9½ 13½	8.1418 1731.0		Snekt	116.85	-117.50 l	11/.00 - 11/.	10 1 3	50-60cdls	-5.64	158-16	Relig
Japanese Yen	36	178.77	153.817	taly	1340-	13481	1341 - 134	12 4.30	1,80liredis	-4.07 -2.76	1200-127	/Dels
Norway Krone Spanish Peseta .	8	8.8240.	7.62360	Norway	6.304	0.07.2	6.843 - 6.85 6.314 - 6.31	2 1-834	.70aredis -0.20cdis	5.73	4.55-4.6 0.55-0.7	NAME
Swedish Krona.	01-	150.797 N/A		Sweden	6.37	6.401 138.45	6 38 - 6 36	1 1166.1	.80oredis.	-3.25 -3.25 3.95	4,85-5.1	Odis
Swiss Franc	913 53	2.0676	7.09973	Japan	136,40	138.45	136.90 - 137 13.14 - 13.1	00 0.46	0.44ypm	3.95	4.85-5.1 1.13-1.1 3.30-1.6	.Opmt
Swiss Franc Greek Drach	2012	207,933	179.673	Switzerland	13.214	1.6150	16060-160	70 D30-0.	60 ог орт 0.20срт	0.91 1.60	0.64-0.6	Opm)
RIST PURE	ا نیا	0.90197		ECU	1.1100	1.1135	1.6060 - 1.60 1.1100 - 1.11	10 0.06	0.05cpm	0.59	0.21-0.1	Span
# Sterling quote † European Com * All SOR rates	d in term missikon (are for J	alcolation uly 28	and ECU.per E. ps.	Commercial rate premiums and o tranca. Financia	tes taken discounts al franc	lowards the apply to th 39.15-39.2	e end of London ie US dollar an 5.	trading.† U not to the	K and Irela Individual	and are questionsy	ioted in US o Belglan rate	is for o
CURRE	NĊY	MOA	EMENTS		EU	RO-CI	URREN	CY IN	TERE	ST F	ATES	
July_31	П	Basik of England Joden	Morgas** Guaranty Changes %	July_31		Short term	7 Days notice	One Month		hret polis	Six Mosths	-
Sterling		93.3	-18.2	Sterling US Dollar		134 134 811-811 124-114 71-7	133-134	1312-13	1 130	1-134	134-135 84-81 11:1-11: 76-74 63-64 63-64	133
U.S Dollar Canadian Dollar		68.9	-8.4	Con Dellar		, 44-45°	134-8法	1 34 B	1 183	1	1121-12	11.77 61 62 81 12
Canadian Dollar		103.7	+0.5	Can. Dollar O. Gullder		471	72.77	1 59 H	453	·	77.71	1 43
Austrian Schiller	L	106.6 106.1	19.7	Sa. Franc	a bade a s	71-71	强强	78-78	1 72	1.6	64-65	1 6
Beiglan Franc Danish Krone		103.4	-6.0 -1.4	Deutschmark		71-71 7-63 93-93	7-63	81-6 124-11 74-7 74-7 61-61 987	6	61	67-64	63
mencene water		103.6	+20.6	Fr. Franc		91.91	7-67 91-813 1312-1212	122-12	1 12	54.	9-82 124-114	
Swiss Franc		107.7	+16.7	talian Lire		22.07	1 42 462	1 477-12	163	ц.	453-514	1 4

MONEY MARKETS

OTHER CURRENCIES

July, 31 £
Argentica ... 1061_2 - 1090_25
Argentica ... 1061_2 - 1090_25
Australia ... 2.1965_2.2010
Bratil ... 3.5335_3.5520
Floriand ... 6,9800_7 0013
Greece ... 266_25_270_75
Hors Korne ... 12.9750_12.9680
Ham ... 119_40*
Kornes ... 1097_8.0_1107_65
Kurvatt ... 0.48720_1.0.48960
Laxemboors 6.00_65_10
Mulayata ... 4180 - 44290
Mexico ... 265_00_65_10
Mulayata ... 4280 - 4280
Mexico ... 265_00_65_10
Mulayata ... 4180 - 44290
Mexico ... 28370_28430
Sanda Ar ... 6.2170_6.2205
Sanda Ar ... 6.2170_6.2205
S.Al (Cott ... 43975_4.4085
S.Al (Frd ... 43975_4.4085
S.Al (Frd ... 43975_4.4085
S.Al (Frd ... 43975_4.4085
S.Al (Cott ... 43975_4.4085
S.

French Franc ..

Short credit supply

hands, repayment of late assistance and a take-up of Treasury hills drained £1,136m, with Exchequer transactions

absorbing £180m and bank bal-ances below target £60m. These factors outweighed a fall in the

note circulation adding £485m to liquidity.

In Frankfurt credit condi-tions tightened yesterday as end of month demand for funds drained liquidity. Call money

was bid for at the 7 per cent Lombard emergency funding rate as banks looked for money

to top up minimum reserve holdings at the Bundesbank.

Last Thursday hanks appeared to be well positioned to meet their monthly requirements - holding an average of DMSS shot during the

DM56.5hn during the first 27 days of the month, against a

provisional requirement of DM55.8bn for the whole of July

but pension payments drained funds from the market

In Paris the Bank of France left its money market intervention rate at 8.75 per cent, when injecting a net FFr5.4bn into the money market. The French central bank accepted bids of FFr60.4bn at yesterday's securities repurchase tendar. A total of FFF5bn mill legent the

total of FFr55bn will leave the market today, as an earlier

In Zurich the Swiss National

pact expires.

In Paris the Bank of France

SHORT-TERM rates nudged slightly higher on the London money market yesterday in a technical move in response to a large day-to-day credit shortage. The longer end of the mar-ket was little changed, steepen-ing the reversed yield curve and suggesting that the top of the present interest rate cycle may have been reached.

interest rates supported senti-UK clearing bank base lending rate

ment, hut three-month interbank moved slightly higher to 132-132 per cent from 13%-131 per ceot.
The Bank of England ini-

tially forecast a money market shortage of £900m, but revised this to a shortage of £700m at noon and to £750m in the afternoon. Total help of £856m was provided. An early round of help was offered to the market, hut the authorities did not operate at that time. Before luoch tha Bank of England hought £14m bank hills out-right in band 1 at 13% per cent. In the afternoon the authori-ties purchased another £287m hills, hy way of £40m Treasury bills in band 1 at 13% per cent and £247m bank bills in band 1, also at 13% per cent. The exist. also at 13% per cent. The assistance was completed when the Bank of England gava late

Bank cut its floating Lombard assistance of £555m. rate to 8% per cent from 8% Bills maturing in official

cent to 10% per cent, and spec-ulation increased that the Fed-eral Reserve is easing its monetary stance.

Earlier suggestions that Fed had a target for Federal funds rate below 9 per cent were not supported hy yesterday's action. The Fed drained liquidity from the New York harking ity from the New York banking system, via overnight matched sale and repurchase agree-ments when Federal funds were trading at 8½ per cent.
This was regarded as relatively aggressive action by the authorities aimed at keeping

the rate around 9 per cent.
The market yesterday was The market yesterday was relatively quiet, hut nervous, waiting for this week's US economic news. It was widely suggested that today's July survey hy the National Association of Purchasing Managers will be pessimistic about US economic growth and that Friday's employment data will day's employment data will show only a modest rise in oon-agricultural jobs. The July

generally forecast to be below the June rise of 180,000. Lack of enthusiasm for the dollar encouraged an increase in cross rate trading, and a slight weakening of the D-Mark against the Japanese yen.

against the Japanese yen.

High yielding currencies showed benefit from the decline of the dollar. Sterling was firm, underpinned hy interest rate differentials in favour of London and by some recent signs of an improvement in the UK economic situation.

Attention is now focusing on UK wage inflation, amid forecasts in the City that the underlying rise in average earnings will soon touch 10 per

Sterling gained 2.15 cents to \$1.6665. It also improved to DM3.1100 from DM3.1050; to SFr2.6775 from SFr2.6725; and to FFr10.5250 from FFr10.5150, hut eased to Y228.25 from Y229.50 against the strong yen. The pound's index rose 0.1 to

		Ecu central rates	Amency amounts against Ec July_31	% change from central rate	l adi	change ested for ergence	Ditte	ergence nit %
Belghas Franc Danish Krone German O-M French Franc Dutch Guilde Irish Post Kalian Lira Spanish Peset	ark	42.4582 7.85212 2.05853 6.90403 2.31943 1.768411 1483.58 130.000	43,490 8,0745; 2,0767; 7,0340 2,3425; 0,77850 1493,2 130,30	+2.83 +0.89 +1.88 +1.00 +1.31 +0.65		+1.07 +1.47 +0.47 +0.52 +0.35 +0.05 +0.08	77 ±1 77 ±1 52 ±1 55 ±1	
Adjustment o	alculated by Fin	aretal Time		a meak carrency				
Jøy.31	Day's spread	71- F	Close	One moeth	7. p.2	Three month	<u> </u>	ND %
US	194 20 - 195 229 - 223 11376 - 114 10.49 2 - 10.5 10.594 - 10.6 2274 - 229 21.81 - 21.8 2.664 - 2.66 1.4825 - 1.49	80 1.9 3.5 0 65 12.0 1.1 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	560 - 1.6670 515 - 1.9625 104 - 3.514 .00 - 65.10 94 - 12.104 25 - 1.1635 0.30 - 560.30 .00 - 195.30 41 - 11.42 52 - 10.53 334 - 10.644 74 - 2284 84 - 2284 84 - 2284 84 - 2487 40 - 1.4950 uf Landon tr. 1.12 - 4.07cpm	0.78-0.75cpm 0.35-0.25cpm 24-2cpm 34-31cpm 54-34cpm 0.45-0.40cpm 2-1.7pm 15-20cits 5-10cits 3-11frepm 34-24cpm 24-1.7pcem 13-1.1pcpm 13-1.1pcpm 13-1.1pcpm 13-1.2pcm 1	5.51 1.83 7.27 6.00 5.08 4.347 -0.81 -0.46 1.07 3.09 5.27 9.53 6.59 7.90 4.78 a is correa 3.0cpm	141-1 115-1 54 87- 125-1 125-1 54- 45- 45- 168-1	772pp 55ppc -84pp 35ppc -05ppc 140dis -30dis 9-6ppc 65ppc 65ppc 45ppc 45ppc 45ppc 45ppc 45ppc 45ppc	3.0 1.6 5.5 5.2 4.5 3.7 6.6 -0.4 1.3 2.5 5.7 6.7 4.4 4.4 4.5 4.5 4.5 4.5 4.5 4.5 4.5 4.5
DOLL		T- F	DRWAR	D AGAII				
July.31	Day's spread		Close	Coe month	p.a.	Tures		74 p.z.
relandi Lanada Netherlands Belgiun Denmark M. Germanj Portugal	1.1800 - 1.18 2.1015 - 2.11 29.00 - 39.3 7.244 - 7.29 1.8625 - 1.87 155.80 - 156	55 2.10 6 39 55 1.80 45 156	60 · 1.6670 805 · 1.4315 805 · 1.1815 135 · 2.1045 .00 · 39.10 .26 · 7.264 .50 · 1.8660 15 · 156.25 .00 · 117.10	0.78-0.75cpm 0.16-0.11cpm 0.34-0.37cdls 0.29-0.27cpm 2.50-1.00cpm 0.10-0.40oredls 0.31-0.29ptpm 60-80cdls 50-60cdls	551 113 3.61 1.60 0.54 0.41 1.93 5.40 5.64	2.14-2.1 0.45-0.3 0.99-1.0 0.74-0.7 3.50-1.0 0.75-1.3 0.77-0.7 255-21 158-10	35pm 04dls 70pm 30pm 15dls 73pm 85dls	5.0° 1.1° 3.4° 1.3° 0.2° 0.5° 1.6° 5.5° 5.5° 3.6°

Norway France Japan Japan Switzerland . ECU Commercial rat	116.85 1340 6.84 6.30 4 6.37 136.40 13.11 4 1.6040 1.1100	5-117.50 1-1348½ 1-6.87½ 1-6.40½ 1-13.19 1-1.1135 1 lowards the	117.00 - 117.1 1341 - 1341 6.843 - 6.85 6.313 - 6.31 13.8 - 6.38 136.90 - 137.6 13.14 - 13.14 1.6660 - 1.607 1.1100 - 1.111 end of London	10 50-4 12 4.30-4.8 145-1.70 1 0.15-0.1 1 65-1.80 10 0.46-0.4 10 0.23-0.2 10 0.06-0.6 10 0.06-0.6	oredis =2.7 20cdis =0.3 bredis =3.2 14ypm =3.9 popm =0.9 15cpm = 1.6 15cpm =0.5	158-16 7 12 00-12.7 4.56-48 8 0.55-0.7 5 4.85-5.1 1.13-1.11 9 0.64-0.6 9 0.21-0.11	86ks -5,57 Delis -3,68 Sells -1,47 Odis -0,40 Odis -3,12 Opin 3,25 Opin 1,54
franca, Financi,	al franc	99.15-39.25 IRO-CL	JRRENC	Y INT	EREST	RATES	
July_31		Skort	7 Days notice	One Month	Three Months	Moeths	Year
Sterling		134-134 811-812 124-114 74-7 7-1-7 9-1-9 11-8-1-9	1922	13 14 15 15 15 15 15 15 15 15 15 15 15 15 15	18.17.00.00 18.55.00 18.17.00.00 18.55.00 18.17.7.60 18.55.00 18.17.7.60 18.85.00	13-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-	134 - 134 -

r. Franc alian Lire , Fr. (Fin) , Fr. (Con. en , Krone sian SSing		9: 47 8: -8 8: -8 5: -5: 9: -9 8: -8	8 8 5	612 612 7 6 6 7 6 7 6 7 6 7 6 7 6 7 6 7 6 7 6 7	987 127-1 87-8 81-8 51-51 91-91	2 12	987 78117 1183 1185 1185 1186 1186 1186 1186 1186 1186	9-87 121-1 8-8 81-8 51-5 91-9 81-8	è i	8 8 8 5 4 8
Long te	m Eurodo	ilars. Iwo aomital.	years 8 /4 - Short term	8½ per ces rates are	u; three ye call for US	ars 8 % - 8 % Dollars a	per cent; nd Japane	four years se Yea; atl	812-83 ₂ pr ters, thro d	112, 00 p. ceaf
		E	CHA	NGE	CRC)\$\$ I	RATE	s		
July.31	£	5	OM	Yes	F Fr.	5 Fr.	H FL	Lika	C 5	8 9
£	0.600	1.667	3.110 1.866	228.3 137.0	10.53 6.317	2.678 1.606	3.508 2.104	2235 1341	1.962 1.177	65.6 39.0
DM	0.322 4.380	0.536 7.302	13.62	73.41 1000.	3 386 46 12	0.861 11.73	1.128 15.37	718.6 9790	0.631 8.594	20.9 284
F Fr. 5 Fr.	0.950 0.373	1.583 0.622	2.953 1.161	216.8 85.25	10. 3.932	2.543 1	3.331 1.310	2123 834.6	1.863 0.733	61. 24.
H FL Lika	0.285 0.447	0.475 0.746	0.887	65.08 102.1	3.002 4.711	0.763 1.198	1 1.570	637.1 1000.	0.559 0.878	18. 29.
	0.510 1.537	0.850	1.585 4.781	116.4	5,367	1.365 4.117	1.788 5.393	1139 3436	1	33.

84-84 11:1-11:1 76-74: 63-64 9-82 124-114 84-84 54-54	8 11 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1	THREE I	91.79 92.19 92.32 92.22 (Inc. figs. no day's open in Nattit EURO Wiets of 198	E. 50000 C	91.77 92.18 92.30 92.22 180 (6686) 502033	91.72 92.10 92.23 92.16
8½-8½ Yea; athers, i	84-84 84 per cent; five and days' potice.	Sep Dec Mar Jun	Close 93.32 93.43 93.55 93.60	Fligh 93,35 93,45 93,55	93.31 93.43 93.50	93.28 93.37 93.52 93.55
5		Estimate Previous	i volume 335 Gay's open in	1 (2885) t. 13769 (13972)	

	LIEALOGO OF	y's open int. 13
8 Fr.	FT-SE 100 \$25 per ful	INDEX I ladex palot
65.05 39.02	Sep Dec	Close H 2327.0 235 2377.0
20.92 284.9	Estimated of Previous da	rolume 3020 (28 y's open lat. 200
61.78 24.29	POUND-S	FOREIGN EXCH
18.54	Spot 1.6665	1-mth. 3 1.6589 1
29.11	IMM-STER	LING Se per &
33.15 100.	Sep Dec Mar Jun	Latest 1.6530 1 1.6326 1 1.6160 1 1.6000 1
_		

FT LONDON INTERBANK FIXING (11.00 a.m. July.31) 3 months US dollars 6 months U.S Dollars after 87 The flaing rates are the arithmetic means rescaled to the nearest one-statement, of the bild and offered rates for SIDs quoted by the marks to fire reference banks at 11.00 a.m. each working day. The banks are flatformal Westmissies Bank, Bank tof Tokyo. Destische Bank, Banyaue Mattonal de Paris and Morgas Goardan't Trast.

	N.	IONE	Y RAT	ES		
NEW YORK			Treasur	Bills and	Bonds	
Lunchtime Priore rate Broker loan rate Fed fonds Fed fonds at Intervention	11 1	lee month lwo month liree month liz wenth loe year		8.06 Fivey 7.84 Seven 7.64 10-ye	yearye	7.57
July.31	Overnight	Gne Month	Two Months	Three Months	Six Months	Lésabard intervention
Frankfurt. Paris	6.90-7.00 94-94 64-64 7.06-7.18 54-54 124-125 94-105	6.85-7.00 83-9 63-71 7.02-7.12 53-51 121-13 84-83 95-94	6.25-7.00 87-9 94-97	6.85-7.00 81-9 63-71 7.06-7.16 121-13 81-83 94-10	6.80-7.00 874-9	7.00 0.75

Brissels	93-10-	126.73	95.97	125-13 81-83 94-10	10-104	. :
L	ONDO	N MC	NEY	RATE	s	
July.31	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbase Offer Interbase Bid Sterling CDs. Local Authority Deps. Local Authority Bonds. Obscount Mist Deps. Company Deposits. Finance House Deposits. Finance House Deposits. Finance House Deposits. Finance House Deposits. Finance Total Bills (Buy) Bank Bills (Buy) Fine Trade Bills (Buy) SOR Linked Dep Bid ECU Linked Dep Bid ECU Linked Dep Bid Treasury Bills (Buy) One-month 135, per cer discount 13.2762 p.c. Ederred rates for period A	-	13/3 13/4 13/2 13/2 15/4 15/4 13/4 per ces	14 1347 1348 1348 1354 1354 1354 1470 870 871 871 871 871 871 871 871 871 871 871	1365 1365 1365 1365 1365 140 850 851 914 914	134 135 135 135 135 135 135 135 135 135 135	13.5 13.5 13.5 13.5 13.5 13.5 13.5 8.20 8.5 91.5 91.5
discount 13.2762 p.c. E Agreed rates for period A & III: 15.23 p.c. Refere p.c.Local Authority and Houses Base Rate 14½ in per cent. Certificates of 9½ per cent; one-three n cent; also-twelss months Deposits withdrawn for	ence rate for Finance Ho rom August. Tax Deposit nonths 11 pe s 11 per cen	r period Juli buses seven 1 , 1989: B: (Series 6); E er cent; thres at: Under Ci	y 1 to July days notice and Deposit Deposit £100	31 1989, tothers say Rates for sul 0,000 and or	Scheme IV/ en days' fix ns at seven d er beld unde	, Schemes II SV: 13,984 ed. Finance lays notice 4 Fone month

FINANCIAL FUTURES

Short sterling looks expensive

SHORT STERLING futures weakened on Liffe yesterday as the equivalent cash rate moved slightly firmer on the London money market and traders began to suspect the price of September short sterling is looking increasingly expensive. Yesterday's closing price of 86.46 virtually discounts a cut

of 4 per cent to 134 per cent in bank base rates by delivery of the contract in the middle of September, compared with yes-LIFFE LONG CILT FUTURES OFTEN Calls-Sep 3-15 2-18 1-27 0-46 0-19 0-07 Pris-Sen 0-03 0-06 0-15 0-34 1-07 1-59 2-55

Calls-Aug 16.10 11.10 6.10 1.89 0.24 0.01 Puts-1 Abg 0.00 0.08 1.09 4.44 9.21 14.20

stiopated volume total, Calls O Puts O revious day's open lot, Calls 196 Puts 23 LONDON (LIFFE)

6-YEAR 9% NOTWHAL GIL 50,000 37mb of 100% 97-06 97-13 96-31 97-05 chimated volume 14679 (15315) revious day's open tot. 30100 (30449)

stimated volume 0 (0) revious day's open int, 0 (0) stimated volume 3660 (4146) revious day's open lat. 7029 (7294)

MUTURNAL LONG TERM JAPANESE GOVT. Estimated volume 755 14280 Previous day's open int, 961, (983)

Est. Vol. (inc., figs., not shown) 17488 (15958) Previous day's open inc., 92058 (92639)

963) 009 (19472) 3-mth. 6-exth. 12-exth. 1.6453 1.6256 1.5930

1.6512 1.6424 1.6300 1.6224 1.6130 1.6044 - 1.5884

		IONE	Y RAT	ES		
EW YORK			Treasur	Bills and	Bonds	
incht ime ine rate oker loan rate d. fords d. fords at intervention_	11 10 88	lee month lwo month liree month liz year lwo year		8.06 Fivey 7.84 Seven 7.64 10-ye	year	7.55
July 31	Overnight	Gne Month	Two Months	Three Months	Six Months	Lowbard
ickfurt	6.90-7.00 94-94 64-64 7.06-7.18 54-54 124-125 93-104	6.89-7.00 81-9 61-71 7.02-7.12 52-511 121-13 84-85 95-91	6.25-7.00 87-9	6.85-7.00 81-9 63-71 7.06-7.16 121-13 81-83 91-10	6.50-7.00 814-9	7.00 0.75

terday's cash rate of 13% per cent, giving an equivalent futures price of 86.12. This sug-gests that yesterday's price was allowing a substantial amount of optimism about a reduction in base rates over

rediction in base rates over the next six weeks.

Action by the Bank of England in the money market yesterday - in providing large overnight help, rather than a longer term hill repurchase agreement - led to suggestions

LIFFE US TREASURY NORD PUTURES OFTIONS \$100,000 640s of 100%

PHILADELPHIA SE S/S OFTENS E31,250 (contr per SI)

CHICAGO U.S. TREASURY MONDS (CBT) \$100,000 32mb of 100%

99-16 99-09 98-30 98-18 98-07 97-27 99-00 98-26 98-15 98-04 97-25 97-14 96-04 96-26 96-17

BASE LENDING RATES

Comm.Bk.N.East. Co-operative Bank

Equatorial Bank pic

Heritable & Gen har Bolk

Lloyds Bank Meghraj Bank Ltd McDownell Douglas Bak

EUROPEAN OPTIONS EXCHANGE

12.40 8.90 6.20 5 3.30 4.90 6.70 9.10

4.60

530 330

285

PAN HINES

TOTAL VOLUME IN CONTRACTS: 39,776 sk 8=86 C=Call P=Pet

2.70 2.70 2.20 8.80 5.50 4 a 15 2.50 3.30

9.30 7.40 4.40

4.40

7.30 = = 4

3.10 6.50

HFC Bank ptc
Hambros Bank ...

C. Hoare & Co. ...

6.30 3.80 2.20 1.10 1.90 3.60 5.60 0.90 2.10

Adam & Company ____ AAB - Allied Arab Bk __

ARIE Arite Mark Be Arite Irish Bank Bergara Aritharity Bank Be C Merchant Bank

Bank of Baroda Banco Bilbao Vizcaya Bank Hapoalim

Bank Happoallim

Bank Credit & Counn

Bank of Cyarts

Bank of India

Bank of India

Bank of Scotland

Bank of Scotland

Bangue Belge Ltd

Bardays Bank

Bendmark Bank PLC

Berliner Bank AE

Berliner Bank AE

Brown Stuptey

Business Mage Tst

C. Bank Rederland

Costral Capital

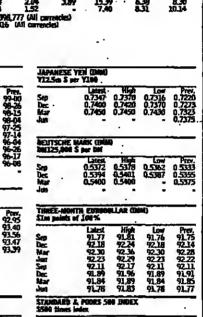
that the authorities were delib-erately keeping the market tight to dater speculation

about lower interest rates.

The reason for the Bank of The reason for the Bank of England's method of operation was in fact, probably technical. Today's repayment of yesterday's lending will combine with earlier repurchase agreements unwinding today to offset about £2.4bn in surplus funds expected from a redemption of gilt stock.

LIFFE BUIKB FUTSRES OPTIONS BAZZSB.000 points of 100% 0.04 0.06 0.15 0.35 0.67 1.09 1.55

Estimated volume total, Calls 3445 Pots 2186 Previous day's open lot. Calls 26349 Pots 21496



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Whiteaway Laidlaw ____

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FINANCIAL TIMES TUESDAY AUGUST 1 1989

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EVE HAS OUTLIVED the others because policy on fair play and value for m Supper from 10-3.30 am. Disco an musiciane, glamorous housestern, se

INTERNATIONAL FUND MANAGEMENT

The Financial Times proposes to publish this survey on:

23 OCTOBER 1989

For a full editorial synopsis and advertisement details, please contact:

> RICHARD BECCLE on 01-873 4181

or write to him at:

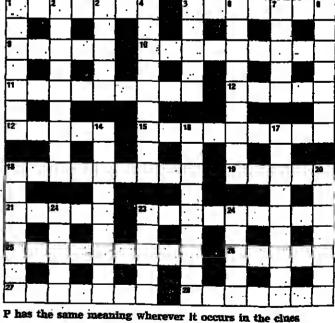
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FINANCIAL TIMES

JOTTER PAD

CROSSWORD

No.7,000 Set by CINEPHILE



ACROSS

1 Flag on vessel hit in big victory (7) 5 Nothing in P sounds like P.

5 Nothing in P sounds like P, being radioactive (7)
9 P for pipe under sea or world? (5)
19 Like P on day 9? (9)
11 Bird in poor health took food to tease (9)
12 P for painting: isn't it round? (5)
13 Perch with ruler? (5)
15 Mongoose from Munich and one other (9)
18 Stopper on pipes etc. turning boy to doctor and ruler (2.7)

(2,7) 19 Loose end? Play the guitar (5) 21 Dance with Dad at the front

21 Dance with Dad at the front
(5)
23 Invest with a blue and green
(almost) mixture (9)
25 Dreadful gunner with
French wine, first to last (9)
26 Farewell to a thing that's
straight on a turn (5)
27 Feast at pole towards sunrise (7)
28 Without qualification to
agree (7)

DOWN

1 P's relation in fibre on river 2 Polite sort of route io com-

pany (American) (9)
3 Move like predator, one following its leaders (5)

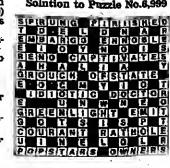
4 Conductor performed opera in two productions (9) 5 Disunite or else unite (5)
6 First welcome people coming in for pact (9)
7 E sells stockings in baskets, perhans (5)

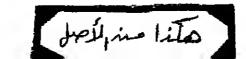
perhaps (5) 8 Boy makes some progress with bird (7)
14 May for the rent or other-Wise (5.4)

16 Focus on Polaris, as it seems (9)
17 P for Paul I, perhaps, with pouch (9)
18 P turns up to write melody

20 P. 20 P. alias precious metal that's alive? (7)
22 P takes part of seven used cars (5)

cars (5)
23 Child 1 found in farm building (5)
24 It's played separately (5)
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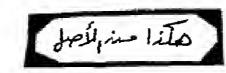
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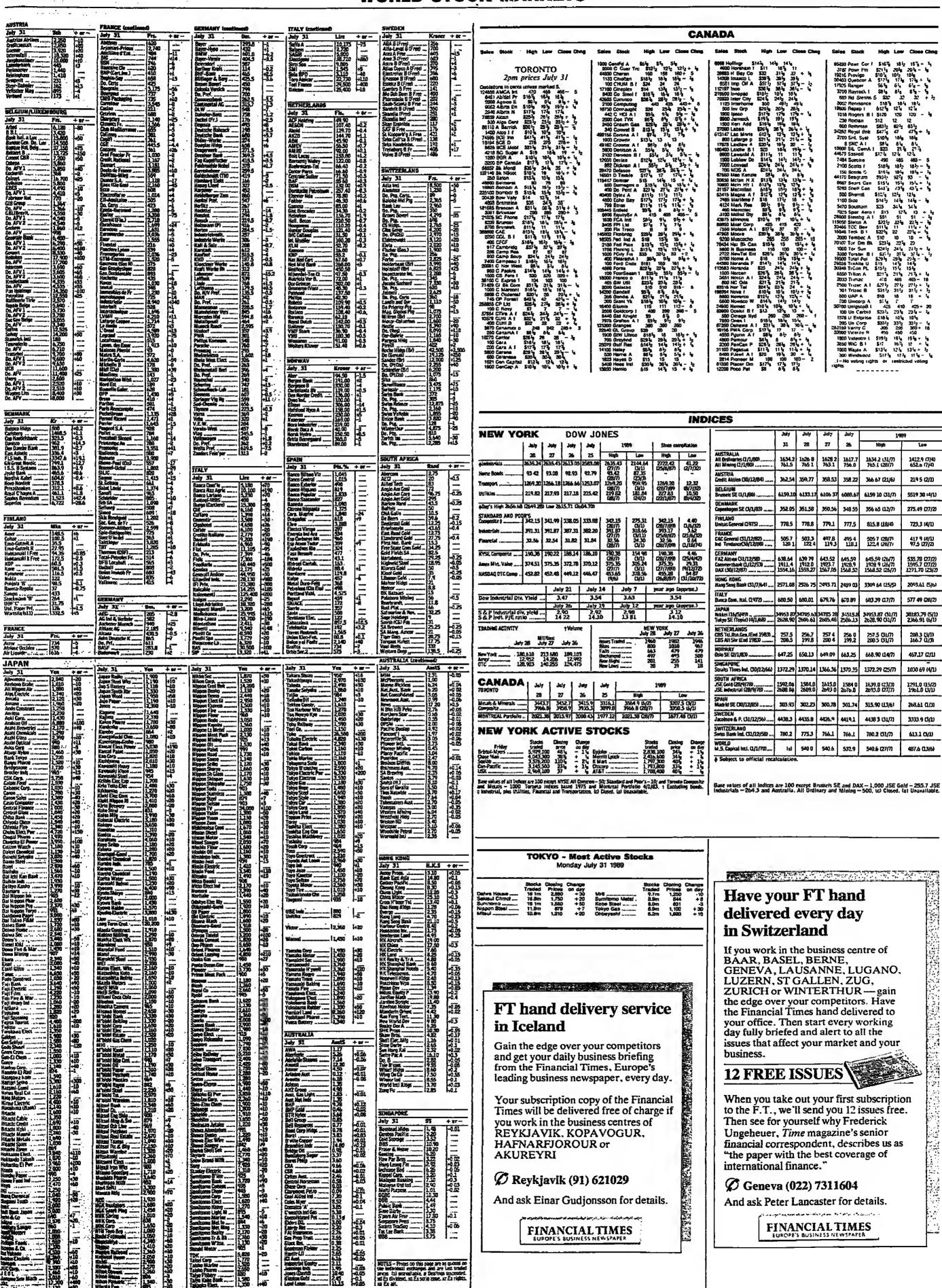
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WORLD STOCK MARKETS



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Equities advance further after cuts in prime rates

Wall Street

A WIDELY expected cut in US prime lending rates from 11 per cent to 10.5 per cent helped the equity market advance from Friday's high, writes Karen Zagor in New York.

At 2pm the Dow Jones Industrial Autoropy was up 2.72

trial Average was up 8.73 points at 2,643.97. Volume was moderate with 114m shares changing hands. Advancing issues outpaced those declining by a ratio of nine to

In mid-session trading, the Treasury's beliwether 30-year bond was up \$7 at \$1104 to yield 7.94 per cent. Before last Friday, yield on the long bond had not dropped below 8 per cent since April 1987. Fed Funds rose to 812 per

cent from 8% per cent after the Federal Reserve arranged over-night matched sales yesterday. The Fed's move, which was more aggressive than the market had expected, indicates that the Fed considered the funds were too low. Market watchers are now asking whether the Fed will cut the discount rate, since it has eased credit conditions three times since the beginning of

The advances in the stock and bond markets came in spite of the softness of the dollar, which at mid-day was trad-ing at Y137.0 and DM1.8655 sharply lower than its Friday

Both equity and deht mar-kets are now waiting for the release on Friday of July's

release on Friday of July's unemployment data which may signal a further easing of interest rates by the Fed.

Takeover rumours continue to fuel the market's strength. Coca Cola added \$2% to \$65% on the news that Warren Buffet is seeking clearance to buy np to 15 per cent of the company's shares.

Erbamont, an ethical pharmaceutical company, leapt \$5%

maceutical company, leapt \$51/2 to \$36% and Himont, a manufacturer and distributor of polypropylene products, rose \$3% to \$47% after the Italian company Montedison said that it intended to buy the remaining outstanding shares of both companies. Montedison is offering \$35 in cash plus warrants for each Erbamont share and \$47 in cash plus warrants for

each Himont share.

Texas Air, the parent of the strike-hound Eastern Air Lines, dropped \$\%\$ to \$16\% after the company reported a net loss of \$2.88 a share in the second quarter. The issue was one of the most active. Among other sirling shares AMR the other airline shares, AMR, the parent of American Airlines, fell \$\% to \$68\%, and UAL, the parent of United airlines, fell \% to \$181\%, however Delta Air Lines added \$\% to \$72\%.

Squihb, which last week agreed to merge with Bristol-Myers in a deal which is worth more than \$11bn, fell \$1/4 to

\$110%. The issue, which had jumped \$23% on Friday, was one of the most active. Bristol Myers was unchanged from Friday's close at \$48%.

Lin Broadcasting slipped \$1% to \$108 in over-the-counter trading after the McCaw Cellular COmmunications rejected LIN's request to negotiate a Lin's request to negotiate a definitive merger agreement. McCaw slipped \$½ to \$37%.

IBM, which has consistently lagged the market this year, added \$1% to \$115%. Among other hlue chip issues, Boeing slipped \$% to \$52%. Ford, which last week said it would which last week said it would pay \$3.35bn for Paramount Communications' financial services group, the Associates, added \$1/4 to \$4%. Paramount

was unchanged at \$59%.
Compaq, the US computer company, reversed its sharp decline, which saw shares fall \$2% on Friday, to gain \$2% to \$87% yesterday afternoon.

Canada

STOCKS were higher at mid-day in Toronto but encountered market resistance as the composite index approached the psychological 4,000 mark. The index rose 7.5 to 3974.3 but advances were even with declines at 202 on volume of

12.5m shares. Canadian Pacific continued active, rising C\$% to C\$28%, on rumours that a European buyer was taking a large stake

Yen and interest rates push Nikkei to new high

Tokyo

FALLING interest rates conpled with a rising yen sup-ported strong gains in share prices that pushed the Nikkei average to a new high but vol-ume slipped as political uncertainties kept many investors cautious, writes Michtyo Naka-

moto in Tolgo.

The Nikkel hegan the week on a firm note, climbing from the start. After reaching a high of 34,954.75 and dipping to a low of 34,722.93 it closed up a strong 248.24 points at a record high of 34,953.87.

Advances outnumbered declines by 555 to 344 while 198 issues were unchanged. Turn-over fell to 551m shares from 877m on Friday, reflecting a customary Monday caution. The Topix index advanced 22.29 to 2,628.90; in London trading, the ISE/Nikkel 50 index rose 1.20 to 2,084.54.

The brighter economic out-look encouraged broad-based buying as investors sought to regain profits lost recently when political uncertainty and currency fears kept the market from going anywhere. A large number of investment trust funds were launched last week and analysts said there was still potential for huying from investment funds.

With US interest rates easing and the yen having weathered the initial shock of the ruling Liberal Democratic Party's crushing defeat in the election to the upper house of the Diet (parliament), the consensus is that further weakening of the yen is unlikely. That leaves the domestic political situation as the only big concern for the market.

Buying was said to be supported by index funds and activity by dealers. investors bought a broad range of small capitalisation issues in the absence of a clear market

NATIONAL AND

Figures in parentheses show number of stocks

West Germany (100)..... Hong Kong (49)..... Ireland (17)..... Italy (97).....

Spain (43)..... Swedan (35)..... Switzerland (84).

United Kingdom (312).... USA (552).....

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116.62 158.51 165.10 148.88 125.95 101.49 111.68 145.43 136.97 137.37 122.13

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per grouping

Australia (85)

leader and 31 shares reached

Interest continued in housing issues, which have attracted attention on expectations that the strong gains made by the Japan Socialist Party will spur the Government into supporting better housing. Daiwa House topped the scrives list yesterday with 19.1m shares traded and added Y30 to Y2,680, Sekisui Chemi-cal, which has about 50 per cent of sales in housing-related business, followed with 18.8m shares, gaining Y20 to Y1,750. Lower interest rates and the

strong yen attracted attention to trading houses and utilities. Sumitomo, a large trading house, rose Y50 to Y1,580. stage in Osaka where the OSE average added a moderate 44.73 points to 34,136.93. Volume

sank to 55m shares from Fri-day's 93m. Kansai Electric Power rose Y200 to Y5,020.

Roundup

PROPERTY trading and the infinence of options markets were the main features in Asia Pacific markets yesterday, mostly to the benefit of share

HONG KONG extended Fri-

day's rise as the relative suc-cess of residential property sales on both days fed into sentiment. The Hang Seng index rose by 44.33 points to 2,571.08 after a gain of 33.04 points on Friday, with volume rising by HK\$300m to HK\$1.14bn. This, said one watcher, compares with nearer HK\$2½bn on a "normal" day, hefore the Peking crisis in early June. Properties featured with Cheung Kong up 15 cents to HK\$8.30 and Henderson Land 221/4 cents better at HK\$4.95. Hutchison Whampoa had a hlock of 120 flats on offer, and sold it at a discount of 15 per cent to pre-June 4 prices; Nan

Fung Textiles, which sold a block at a 15 per cent discount on Friday, sold another at a 12 per cent discount yesterday. AUSTRALIA saw volume move the other way, from A\$700m on Friday to A\$170m yesterday. The monthly expiry date for options trading fell last Thursday; option-related deals involving 28m BHP

shares valued at A\$270m were one example of what went through the market on Friday. Share prices were mostly firmer yesterday. The All-Ordinaries index consolidated last week's gains to close at 6.6 points higher at 1,633.5, its highest level in 11 months.

NEW ZEALAND gave back some of last week's gains, as last week's budget. The Bar-clays index eased by 15 points to 1,963.97.

SINGAPORE closed slightly firmer, and the Straits Times Industrial index made 2.15 points to a new post-crash high of 1,372.29. Sentiment was improved as a couple of hig property deals came off the hack hurner, and dealings began in the "foreign" shares of two banks, OCBC and UOB, at higher premiums than

expected.
"Foreign" shares are those which can be held and regis-tered by foreigners. OCBC for-eign closed on a \$\$1 premium (after S\$1.30 earlier) at S\$11.30, while UOB foreign finished at \$36.65 against \$\$5.80 for "local"

TAIWAN jumped by 3.6 per cent in extremely heavy trad-ing, fuelled hy technical strength and what was per-ceived as the government's softening stance toward underground investment companies.

The weightsd index rose 331.59 points to finish at 9,504.20; turnover increased to 1.1hn shares worth T\$124bn from Saturday's 844m and

Index

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THURSDAY JULY 27 1989

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Currency Index

124.7€

124.76 130.04 128.04 213.04 126.61 190.73 84.39 106.15

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Slowdown in US sets off spate of records

	% c	sange in lo	ad currenc	y t	% change in sterling
_	1 Week	4 Weeks	1 Year	Start of	Start of 1989
Auatria	+1.82	+1.71	+49.48	+40.75	+45.99
Belgium	+0.51	+0.78	+17.32	+4.50	+8,40
Denmark	+0.31	+3.66	+71.57	+34.00	+37.83
Finland	+0.09	1.18	+4.78	+10.74	+19.70
France	+2.54	+ 5.48	+42.47	+19.60	+24.68
West Germany	+0.16	+3.44	+29.82	+16.36	+20.30
reland	+4.63	+12.90	+16.01	+25.06	+29.83
taly	+0.21	+4.47	+24.68	+12.58	+19.21
Natherlands	+0.10	+3.42	+21.11	+20.09	+24.28
Norway	-3.B3	+0.62	+54.62	+39.06	+45.31
Spain	+0.12	- 1.35	+0.05	+7.51	+13.14
Sweden	+1.26	+7.24	+54.35	+32.10	+38.55
Switzerland	+3.77	+8.03	+21.12	+24.60	+26.77
Ж	+0.90	+8.40	+23.07	+27.33	+27.33
EUROPE	+0.99	+5.03	+25,58	+21.71	+24.77
Australia	+1.68	+9.27	+2.56	+10.71	+ 8.60
long Kong	+229	+12.66	-2.78	- 5.28	+4.19
lapan	+2.67	+5.83	+ 17.84	+9.68	+8.03
Malaysia	+0.26	+ 2.87	+26.81	+29.93	+45.40
New Zealand	+1.58	+3.78	-1.55	+8.48	+11.19
Singapore	+1.17	+8.21	+23.12	+35.52	+48.07
Canada	+1.52	÷5.33	+ 17.33	+ 18.01	+30.71
AS.	+1.87	+6.97	+25.72	+23.03	+35.30
Mexico	+2.93	+9.84	+94.42	+84.85	+83.94
South Africa	+0.37	+ 1.72	+47.22	+36.31	+39.24
WORLD INDEX	+1.98	+8.07	+21.74	+16.39	+20.00

of options.

take 5 per cent of Daimler

Benz. Chargeurs, the transport group, came off FFr25 to FFr1.140 after stake-building

early trading.
The CBS all-share index,

which hit a record of 200.4 last

Thursday, rose to 200.5 yester-day after dropping back on Fri-day. The tendency index was up 0.3 at 192.4, with the cut in

US prime rates giving a late

A STRONG week for squity markets triggered a spate of records around the world last week as investors took comfort from slower economic growth in the US and signs that inflationary pressures are easing.

The FT-Actuaries World Index gained nearly 2 per cent thanks to a rebound to new all time highs in Japan and to a bid series in the US findled.

solid gains in the US, fuelled hy weaker second-quarter eco-nomic growth and takeover moves. The broadly-based S&P Composite index in the US also moved into record territory.

Gains in the world's third higgest market, the UK, were more subdued but the FT-SE Index climbed back to its levels before the 1987 excels just before the 1987 crash thanks to a combination of overseas interest, optimism about Wall Street's progress ctory reception for

the UK trade figures.

The week produced record highs in France, the Netherlands and Sweden, and post-crash peaks in Canada, Singapore and West Germany.
Europe and the week's
sharpest movements, as company results sent Norway down 3.8 per cent and SwitzerBy Alison Maitland

land up by the same amount.

Poor second quarter figures from Norsk Hydro, which makes up 40 per cent of the FT-A Norway index, triggered Oslo's retreat — the only fall among the 24 countries cov-

Hydro was hit by lower fer-tiliser and metal prices and the news caused unease about the outlook for cyclical stocks such as Elkem. Much depends on whether raw materials' prices take a tumble, as the bears fear. Bulls of the market point out that Norwagian stocks have climbed 39 per cent this have climbed 39 per cent this year and argue that last week's drop was "just a blip."

Switzerland was driven np Switzerland was firiven hp sharply hu huoyant half-year figures. Nestlé reported a 35 per cent rise in sales while Adia, the husiness services company, showed an increase of 44 per cent. Crédit Suisse forecast better profits for the year and there were strong stock performances from other stock performances from other companies such as Swiss Re

"The good corporate results justify Switzerland's recently gained position as the best performing market in the D-Mark
hloc this year," say brokers
Hoare Govett in their weekly
review of stock markets. Switzerland is up 24.6 per cent this
year compared with West Germany's 16.4 per cent rise and
20.1 per cent in the Netherlands.

ireland provided the world's best performance of the week, improving on its 3.6 per cent

improving on its 3.6 per cent rise the previous week with a gain of 4.6 per cent.

Mr Robble Kelleber, head of research at Davy's brokers in Dublin, points out that Irish pension funds have strong cash flows in a country with a young population, where contributions are flowing in and pension payouts limited. pension payouts limited.
While institutions switched some of their portfolios abroad

following the abolition of exchange controls at the start of the year, that restructuring is virtually over and the focus has returned to the Irish equity and bond markets. On the supply side, heavy cash calls at the beginning of the year have now dried up, he adds.

Holidays take their toll of trading volume

to have arrived in European bourses yesterday, with trad-ing volumes suhdned and movements restricted, urites Our Markets Staff.

FRANKFURT saw good com-pany results offset potential weakness yesterday. Shares ended mixed, but above their opening lows after a couple of dull days last Thursday and

The day opened in some trepidation on reports that West German trade unions might favour unofficial action by steelworkers, aimed at increasing the rate of their annual wage rise. Switching from steels into banks, which have lagged the market recently, was encouraged by a 22 per cent rise in profits at Dresdner.

This reawakened hopes for Deutsche Bank, whose results are due on Thursday. Dresdner and Deutsche closed up DM4.50 and DM5.70 at DM369.50 and

DM680 respectively. Elsewhere, Schering's 21 per cent rise in first half net profits left it DM13 higher at DM747, and the day's higgest gain was seen in Colonia, the insurance company, which surged DM301 to DM1,100 on last week's news that the French insurer, Vic-toire, would take a controlling

Finally, good results at Sie-mens, which came in during the afternoon, were reflected in a DM2 rise to DM609 in the London aftermarket. Overall, the bourse ended more or less in balance with the DAX index 0.89 higher at 1,554.16 and the FAZ 0.85 lower at 638.64 in much thinner volume worth DM3.7bn, compared with Friday's DM4.6bn.

PARIS went rather quiet after its strong gains on Thurs-day and Friday as profit taking and the August holiday season took their toll on trading. The opening CAC General index hit a new high of 505.7, up 2.4, but a new high or 505.7, up 2.4, but indices reflecting yesterday's sssssion snded lower after a lacklustre opening on Wall Street. The OMF 50 index ended at a day's low of 509.76, down 4.14, and the CAC 40 about 10.55 to 154.18 shed 10.05 to 1,814.19.

Turnover was estimated at

SOUTH AFRICA

GOLD shares rallied in Johanneshurg in late trading. The industrial index closed at 2.688, one point down on Fri-day's record high.

DOLLAR INDEX

1989 Low

128.28

92.84 125.57 185.35 125.81 172.57 79.56 88.41 125.00 74.97 184.35 183.32 110.63 62.64 139.92 124.53 143.35 143.35 143.35 143.35

133.28 112.13

112.63 137.95 160.44 141.56 112.79 96.30 111.93 141.49 136.96 136.67 114.51

148.82 85.89 113.50 124.50 128.21 130.53 92.60 74.59 108.96 137.01 72.63 157.32 153.83 105.48 79.51 120.96 148.81 118.28 148.28 148.28 148.28 148.28 110.72 132.38

105.32 113.91 184.18 140.65 111.49 88.53 126.50 139.90 128.24

128.65 110.03

136.88 128.60

FFr1.5bn, compared with Friday's FFr2.7bn, but yesterday's Chemicals were in the spotlight again, with investors pushing Akzo up Fl 1.10 to Fl 144.70 on expectations of a figure may have been higher than that because of the expiry Among scarce features, Eurotunnel lost FFr2.30 to 10 to 15 per cent rise in second quarter earnings on Thursday, the start of the next round of FFr91.70 in active trading amid corporate results. DSM gained 90 cents to Fl 132, with results continued nervousness over the group's financing needs. Electronics stock Matra due on August 18. added FF11.90 to FF1372; the company denied a West Ger-man press report that it might

VRG Group, the paper dis-tributor, was suspended from trading for news of a complex joint venture deal with Vender International.

MADRID had a thin, nervous start to trading under Spain's "Big Bang" reforms. The index gained 1.70 to 303.93, but vol-umes were estimated at a low speculation drove it up FFr10 in heavy trading on Friday.

AMSTERDAM reached another all-time high but trading was extremely thin at F1 426m, with many operators on holiday and Wall Street dull in early trading. Everyone was scared to do

any husiness because they didn't know who they were dealing with," said one salesman. The end of the agents' monopoly as individual traders meant far more people were allowed to operate on the floor and represent different interests, which caused some confu-sion, he added. "In two to three

Construction stock Asland jumped 57 percentage points, or 5.7 per cent, to 1,060, in reaction to a sustained fall from its year's high of 2,035 triggered by the end of takeover speculation in early June when Lafarge Coppée indirectly took a controlling staks through

Cementia of Switzerland. Electrical utility Endesa was off 2 at 284 after a widely anticipated 18 per cent rise in first half profits.
ZURICH was little changed

after last week's gains, with many investors absent from the market before today's national holiday. However, some dealers were looking ahead to Wednesday, when

ahead to Wednesday, when subscription rights to the Hoffmann La Roche rights issue will be traded for the first time. Roche bearer shares closed SFr3,000 higher at SFr43,000 while Nestle, which said last Thursday that its sales were 35 per cent ahead in the first half, put on SFr90 to SFr8 200 to put on SF190 to SF19,390 in bearer form. The Credit Suisse index declined by 1.4 to 640.7.

MILAN recovered after a weak start, and the Comit index ended 0.49 higher at 690.50 in moderate volume esti-mated at L195bn.

mated at L195bn.

Banks were actively traded, with Banco di Roma, BNL, Credito Italiano and Banco Lariano showing gains. Olivetti, boosted by foreign buying, was L148 better after Friday's weakness, chosing at L9540.

STOCKHOLM improved after early losses and closed at a sixth consecutive all-time high. The Affärsvärlden General index closed 25 points higher

index closed 2.5 points higher at 1,310.1 in low turnover. Deal-ers are beginning to expect profit-taking before the company results season in mid-August, which should bring an

increase in trading volume.

BRUSSELS closed mixed, but up on balance with the cash market index 25.93 points better at 6,159.10. Individual features are considered by Reff. tures were provided by Raffi-nerie Tirlemontoise, which rose steadily throughout the session to close BFr55 higher at BFr2,610 and Solvay, up BFr50 at BFr14,200.

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